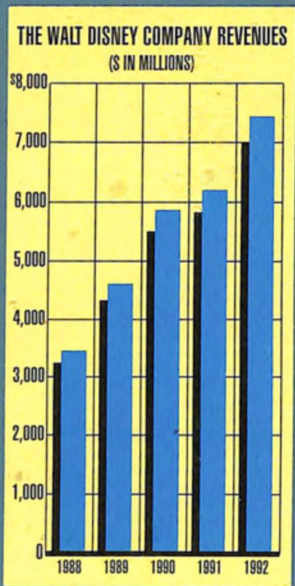
The Walt Disney Company

1992 ANNUAL REPORT

The New Golden Age Of Animation



The Walt Disney Company's revenues have grown at a compound annual rate of 21% over the last five years, and 1992 revenues were more than double those achieved in 1988.

Financial Highlights

(In millions, except per share data)	1992	1991	Change
Revenues	$7,504.0	$6,112.0	+23%
Operating income	1,435.3	1,094.5	+31%
Net income	816.7	636.6	+28%
Earnings per share	1.52	1.20	+27%
Return on stockholders' equity	19%	17%	
Cash flow	1,838.1	1,496.7	+23%
Stockholders' equity	4,704.6	3,871.3	+22%
Book value per share	8.97	7.43	+21%

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The Walt Disney Company

January 1993

Dear Disney Shareholder:

Ask any guest at Disneyland or Walt Disney World and you'll know that 1992 was a wonderful year for the Disney Resort destinations. Disney's Dixie Landings Resort and the rollicking adventure *Splash Mountain* opened at the Walt Disney World Resort in Florida. At Disneyland Resort in California, visitors were dazzled by the pyrotechnical spectacular, FANTASMIC!, and "Beauty and the Beast—Live on Stage" charmed audiences at both Disney destinations. And eagerly waiting in the wings is MICKEY'S TOONTOWN—set to make its wild, wacky debut at Disneyland at the end of this month.

But that's not all. We are also delighted to report that fiscal 1992 was a record year for shareholders. Disney's stock returned close to 28 percent for the twelve months ending September 30, 1992. In addition, a 4-for-1 stock split during this period greatly reduced the price of the stock, making it even more accessible to investors. As a result, our shareholder base has more than doubled, with almost 800,000 holders as of September 30, 1992.

Due to this substantial increase in our shareholder base, and lower stock price, a change has been made in our shareholder benefit program. Beginning in January 1993, complimentary membership in the Magic Kingdom Club will no longer be provided. However, we would like to extend an opportunity for shareholders to join the Magic Kingdom Club Gold Card program, at a 20% savings.

Gold Card membership provides a wide variety of leisure benefits and services such as savings at Disney Theme Parks and select Resort hotel accommodations, and discounts with travel partners such as Delta Air Lines, National InterRent and Premier Cruise Lines. In addition, Gold Card members also receive a two-year subscription to *DISNEY NEWS* magazine, vacation planning video, personalized embossed membership card and a toll-free number for the Magic Kingdom Club Travel Centers—a Disney reservation and information service.

The general public price for this program is $49. Through December 31, 1993, a special two-year Gold Card membership is being offered exclusively to our shareholders for $39. Inside, please find more information on the Magic Kingdom Club Gold Card, plus details on how to join.

Thank you for your continued participation in The Walt Disney Company. Here's to an even more rewarding year in 1993.

Sincerely,

Jennifer LaGrow

Jennifer LaGrow
Manager
Stockholder Affairs

DISNEY'S GOLD CARD

A variety of exciting travel and leisure benefits can be yours with a Magic Kingdom Club Gold Card. You will receive great savings and helpful services exclusive to Gold Card members.

And now, as a Walt Disney Company shareholder, you have the "golden" opportunity to receive a two-year membership for only $39!* That's a ten dollar savings off the general public price. You and your family will receive all of the regular Magic Kingdom Club benefits, plus you'll enjoy the extra advantages of being a Gold Card member.

Just look at what your membership includes:

- Year-round reduced prices on Disneyland and Walt Disney World admission media (up to $8 savings on Walt Disney World multi-day Passports)
- 10% to 30% savings at selected Walt Disney World Resort hotels and 15% savings at The Disneyland Hotel (subject to availability)
- Discounts on admission to Pleasure Island, Typhoon Lagoon and River Country
- A colorful, informative newsletter
- A two-year subscription to DISNEY NEWS magazine—a behind-the-scenes look at all aspects of The Walt Disney Company
- Up to 30% discount at National InterRent nationwide and a 10% discount on Delta Air Lines to Southern California and Orlando, Florida
- Great savings on cruises aboard Premier, Royal Caribbean and Norwegian Cruise Lines
- 10% discount at The Disney Stores, located in cities nationwide
- 10% discount on purchases from The Disney Catalog
- Membership in "Travel America at HalfPrice," offering 50% savings at hundreds of North American hotels (does not include hotels in Anaheim, CA and Orlando, FL)
- Exclusive, toll-free reservation and information service—the Magic Kingdom Club Travel Centers

Plus you'll receive a special Gold Card Membership Kit which includes:

- Handsome gold plastic membership card, personally embossed with your name
- Club tote bag
- Members key chain and luggage tag
- And an exciting Disney vacation video that describes your Club benefits and shows you what's new at the Disney Resort destinations

The **Magic Kingdom Club Gold Card** is your key to the fun and excitement of Disney at special prices. Don't miss out on this golden opportunity!

*This exclusive offer of $10 off the general public price is available to new Gold Card members only and is not valid for current members or renewals. Offer expires December 31, 1993. Benefits and offers are subject to change without notice.

To take advantage of this golden opportunity, complete this application and mail today. Your Magic Kingdom Club Gold Card will be on its way soon!

MAGIC KINGDOM CLUB®
Gold Card

DISNEY SHAREHOLDER
PROCESS IMMEDIATELY!

APPLICATION

YES! I WANT TO TAKE ADVANTAGE OF YOUR EXCLUSIVE OFFER FOR DISNEY SHAREHOLDERS

❑ Mr. ❑ Ms. ❑ Miss

Name: ____________________

Address: ____________________

City: ____________________

State: __________ Zip Code: __________

Phone: ____________________

❑ Two-year membership provides Club benefits for you and your immediate family $39

❑ Optional additional family member card (immediate family member only) $10

Name: ____________________

Total $ ______

Please make check or money order payable to Magic Kingdom Club Gold Card, or you may charge to your:

American Express ❑ VISA ❑ MasterCard ❑

Account # ____________________

Expiration Date: ____________________

Signature: ____________________

Please enclose order form and payment in the attached pre-addressed envelope.

Foreign orders are $59 in U.S. funds only. Offer applies only to new Gold Card members and is not valid for current members or renewals. Offer expires December 31, 1993.

Please allow four weeks for delivery of your Membership Card and Kit.

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To our owners and fellow Disney employees:

My last letter to you was written in a year of international recession. Considering everything that was then going on, Disney did okay that year. My English professor, Dr. Dominick Consolo, at Denison University would really object to my limited vocabulary – "okay" is not a great word, but it does describe 1991 quite well. 1992, however, was better than okay, it was great. During a year of continued worldwide economic downturn, how many companies were fortunate enough to grow at 28%?

Because we "came back" (as it were), because virtually all of our divisions were back to 1990 levels, because the parks in the U.S. recovered, and because our management has been stable, our impressive growth is a big story, but not the real story for 1992. The real story is two-fold: the resurgence and reinvention of Disney animation, as visually depicted on this annual report's cover, and the successful opening of Euro Disney.

I know it is bad luck, even slightly distasteful, to brag. Sorry, I am going to give into temptation. Your company has nothing less than the most talented, inventive, creative, original, resourceful and brilliant people working in animation. I probably sound like the proud parent who indulgently shows off his children, even if they are decidedly not perfect. But *The Little Mermaid* in 1990 and *Beauty and the Beast* in 1992 were perfect children, conceived in love, four years in gestation, birthed comfortably and getting better with age.

And Euro Disney is frankly the same – the most beautiful park and hotels we have ever developed – somewhat expensive but still fantastic. We have been there before. Disneyland was too expensive. Walt Disney World's Magic Kingdom opened and the company stock fell by half (it recovered quickly, I might add). Tokyo Disneyland threatened the very existence of the Oriental Land Company. And EPCOT Center was the mother of all expensive parks. But, like all good fairy tales, the company not only survived, but is living happily ever after.

This is a good moment to look at animation and to look at Euro Disney because next June is the 100th anniversary of Roy O. Disney's birth. He virtually gave his life to fulfill his brother's dream of building Walt Disney World on 28,000 acres in Florida. He gave up his much-deserved retirement, infused the park throughout with Disney quality and saw the project through to completion, personally cutting the ribbon on opening day. He died within two months of that momentous event. I am pleased to say that no individuals gave their lives to open Euro Disney. But the extraordinary efforts of Marty Sklar and Mickey Steinberg and their Imagineers, of Peter Rummell and his Disney Development Company, of Bob Fitzpatrick, Jim Cora and Sanjay Varma of Euro Disney, of Frank Wells, and of the thousands of workers in Europe and the hundreds of executives from our company, achieved the impossible. To really give justice to their efforts would take pages. Let's just say the spirit of Walt and Roy lives on.

But with all that Roy Sr. gave to this company, perhaps his number one legacy to our company is his son, our Roy, who did nothing less than save the company in 1984 – with the help of Stanley Gold, Roy's partner and friend, from the outside, and Ray Watson, the chairman of the company, from the inside – when it was beset by corporate raiders anxious to seize control and sell off this great American institution piece by piece.

Roy not only was intent on keeping the company together, he was determined to return it to prominence as one of the world's great entertainment franchises. And he knew that to do this, the company had to re-commit itself to its core business – feature animation.

By the early '80s, the Disney legacy in animation was on the wane. People in the film industry were declaring animation "a lost art," and the common wisdom was that drawing a movie frame by laborious frame was archaic and too expensive.

But Roy bought none of that. He believed that the old Disney magic could be recaptured with new management, new talent and new dedication.

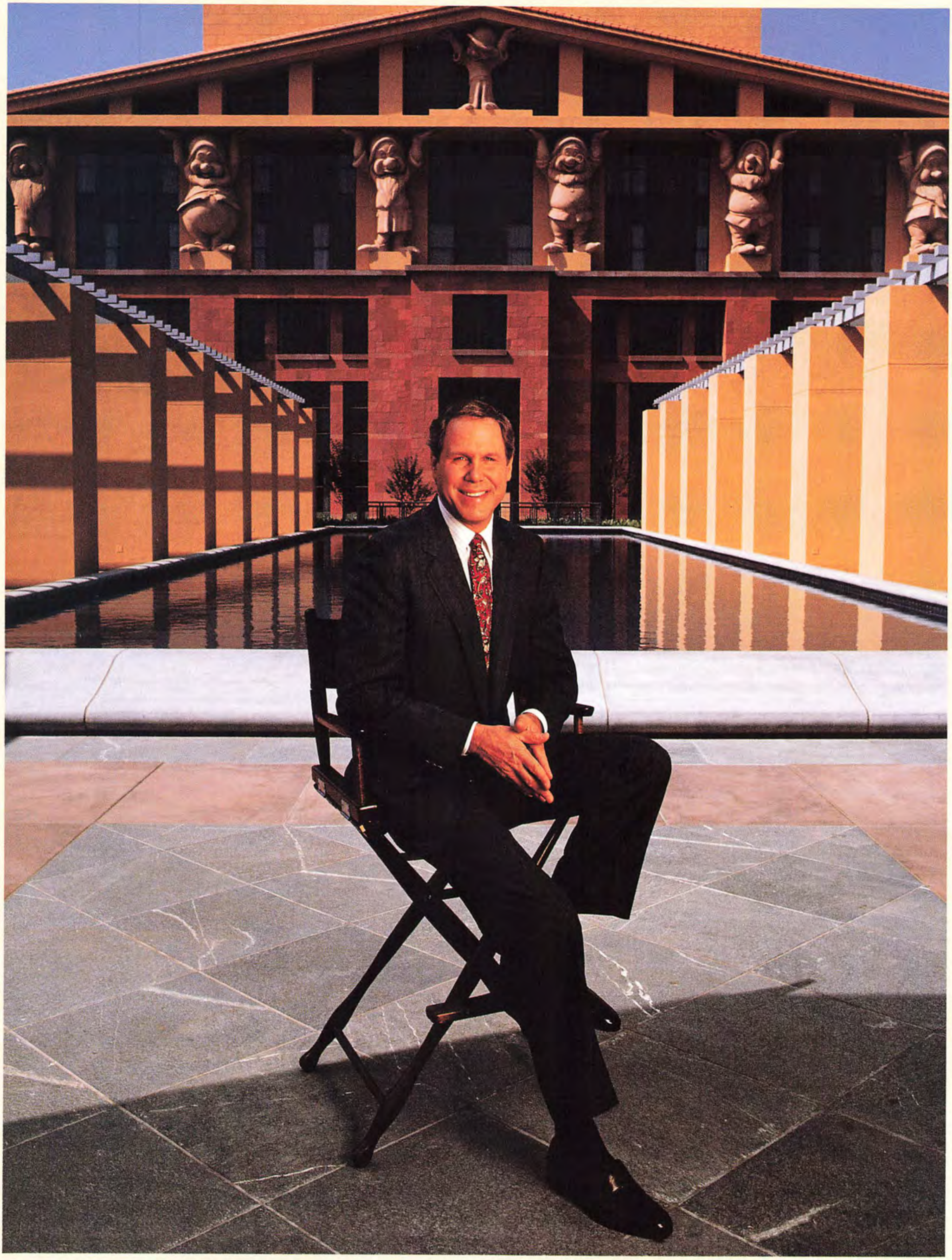
So, when Frank Wells and I joined Disney in 1984, Roy became vice chairman and, equally important, manager of Disney Animation. Soon Jeffrey Katzenberg joined us to head up our then-anemic film organization, and one of his major responsibilities was to work with Roy to restore Disney's lost luster in animation.

I offer this brief history because our recent animation success has been so overwhelming that it is difficult to appreciate how insightful and downright gutsy Roy was to insist way back in 1984 that we pour major resources into what most people thought was a moribund, money-losing enterprise that would only be relegated to kids' matinees.

Roy understood that animation, done right, was magic. And magic is the essence of Disney.

So, when we break animation box office records, we will humbly accept our good fortune (this is a note to our Animation Department to act modestly). And when we will be once again considered for Academy nominations (confident, eh?) we will, of course, be shocked, stunned, and contrite; for who knows what next year will bring. But, whatever it brings, we should always remember that we have Roy to thank.

In fiscal 1992, The Walt Disney Studios achieved operating income of more that $500 million, a first in the history of Hollywood. Disney Animation played a huge role in this remarkable accomplishment.



Michael D. Eisner,
chairman and chief executive officer.

Our success in animation represents the culmination of a two-part strategy launched in 1985:

First, there was the re-releasing of the great classics into venues both old and new...theaters, then The Disney Channel, and finally on home video.

In the theaters, these films did spectacularly. On The Disney Channel, they helped our cable service grow from 1.9 million subscribers to its present count of nearly seven million (last year it was the only pay service to gain subscribers). It must be said that animation was only one ingredient in The Disney Channel's phenomenal success. John Cooke, the channel's president, keeps adding new unique programs to The Disney Channel's menu, such as Disney's Young Musicians Symphony Orchestra, which joined the American Teacher Awards as an annual Channel event. This prepubescent symphony orchestra is the real thing – no glockenspiel players (my sixth grade instrument).

On home video, our animated classics helped revolutionize the entire industry. With our classic animated films, we pioneered the concept of selling videos directly to the consumer. One classic built on the success of its predecessor, starting with domestic sales of a few hundred thousand cassettes of *Pinocchio* in 1985 and culminating with the sale of more than 14 million copies of *Fantasia* in the first quarter of fiscal 1992.

In the second...and more critical...part of our strategy, we began bolstering our motion picture animation organization with the goal of producing one full-length animated feature a year.

We achieved this capability in 1987. First, there was the animation/live-action film, *Who Framed Roger Rabbit*, then *Oliver & Company, The Little Mermaid* and *The Rescuers Down Under*. The success of these films ranged from solid to phenomenal.

And then there was *Beauty and the Beast*. I have yet to find the adjective to suitably describe the success of this film. *Beauty* is one of those "megamovies" that remind us what makes our business so exciting. It proved conclusively that animation wasn't just for kids anymore as the world "rediscovered" its magic and power.

In its first domestic outing, it grossed more than $145 million, shattering the earlier record set by *The Little Mermaid* and, even as I write, it continues its record-breaking ways throughout Europe and Asia. *Beauty* entered the domestic video market this October with a record pre-order of 17 million units. It sold 12 million units in two weeks, and sales continue to climb toward 20 million.

And now...*Aladdin*, which opened triumphantly in November, promises to be another huge success on the long road back. *Time* Magazine's glowing review was headlined: "ALADDIN'S MAGIC... The funny, fabulous feature from Disney heralds a new Golden Age of Animation. Not since the 1940's... has the [animation] form been so commercially successful and artistically exhilarating."

Next up, *The Lion King* followed by *Pocahontas*. And after that we are aiming for three animated feature releases every two years!

This resurgence in animation has had a dramatic impact on all other parts of the company. At our theme parks, it means that every year new characters – Roger Rabbit, Sebastian the Crab, Belle, the Beast, the Genie – join Mickey, Minnie and the old favorites to delight new and returning visitors. Live shows inspired by *Beauty and the Beast* and *The Little Mermaid* were smash hits in Florida and California this past year, and at this very minute our Florida entertainment people are putting the finishing touches on Aladdin's Royal Caravan, an exciting parade featuring Prince Ali and Princess Jasmine at the Disney-MGM Studios Theme Park. (By the way, a slight non-sequitur while mentioning the Disney-MGM Studios: The position that Metro-Goldwyn-Mayer Inc. took regarding the use of its name was not upheld in court due to the obvious rule that justice prevails. It also helps to have Sandy Litvack, our general counsel, on your side. He expertly pointed out the facts to Judge Curtis Rappe of the Los Angeles Superior Court and won the day in court.)

In Consumer Products, *Aladdin* has already racked up the biggest merchandise push of any Disney animated film ever, with a vast array of products targeted for girls, boys and adults.

And, three years into her career, *The Little Mermaid* was named "License of the Year" for 1992 by the Licensing Industry Management Assn. at the same time we were launching a new *Little Mermaid* half-hour network television series.

Most of all, being the world's top producer of high quality animation gives our company a dramatic edge in the motion picture business itself.

Security analysts constantly remind us the movie business is inherently risky (not as risky as the securities business, I must point out), because you can invest millions in a movie and get back almost nothing if it fails to capture an audience in the first weekend. For this reason, all major studios release more than a dozen films a year. The hits are supposed to pay for the misses, which is why the film business is generally referred to as "hit-driven."

At Disney, our strength in family-oriented films, especially animation, gives us strong and unique brand identification that lifts much of our output out of that risky "hit-driven" category. The Disney logo on a film or TV show has come to mean "top-quality entertainment for the entire family." No other film logo says that. Over 50 percent of our film revenue comes directly from Disney-labeled product – such as Walt Disney

Frank G. Wells,
president and
chief operating officer.

Roy E. Disney,
vice chairman.

Michael Eisner receives the
Legion d'Honneur from French
Prime Minister Pierre Beregovoy.

Pictures, Walt Disney Television, The Disney Channel and the Disney library. More important, over 80 percent of our filmed entertainment operating income comes from these Disney-branded sources this year.

Does that mean we should get out of the live-action business represented by Touchstone Films and TV and Hollywood Pictures?

Of course not. Movies like *Father of the Bride, The Hand That Rocks the Cradle* and *Sister Act*... and television shows like *Home Improvement, Golden Palace, Empty Nest* and *Nurses* show that we are entirely capable of creating popular adult-oriented hits in film and TV.

Across the Atlantic, we showed that we are also capable of creating one spectacular theme park – Euro Disneyland – and the equally spectacular Euro Disney hotels (thank you Disney Development Company). It is, if you don't mind my saying so, one of the greatest man-made attractions in the world. It opened in April to a chorus of unconditional and extravagant praise from analysts and the media, which was great (thank you Walt Disney Imagineering). This was quickly followed by an equally unconditional chorus from the same analysts and media who suddenly found fault with almost everything...which wasn't so great.

But facts, ultimately, are hard to ignore, and entering October, we had entertained our seven millionth guest. Occupancy in the Euro Disney hotels through September was 74 percent; during the summer: 96 percent. I should add in passing that no other Disney park has ever gotten off to as fast a start (thank you Walt Disney Attractions).

We are now entering the winter season and frankly do not know what will happen. Having grown up in Manhattan, I believe weather will not keep people inside. "Give me a subway exit and I will go" was my motto as I traveled to Yankee Stadium, to the Polo Grounds, to Madison Square Garden and to The World's Fair. On the other hand, my California son Eric who is at college in New England considers it a regional disaster if the temperature dips below 32 degrees. We'll see what happens. Of course, people not only go to the park in Japan during their very cold winter, they go in droves. The all-time record attendance for any of our parks was achieved at Tokyo Disneyland...on December 31.

In early October, French Prime Minister Pierre Beregovoy presented the insignia of Chevalier de la Legion d'Honneur to me as representative of the entire Disney company. I found some of the prime minister's remarks especially poignant:

"Dreams," he said, "especially children's dreams, transcend frontiers, race and religion. From Philadelphia to Bangui, from Paris to Tokyo, your characters captivate our children. France is always happy to honor the crafts of magic...no matter from which country they come..."

And later...

"I remember, and always will remember, the young people of Kentucky or Dakota who fought beside us 45 years ago to free France. Many died at Sainte-Mère-Église, Avranches or elsewhere. Those who have doubts about the friendship between our two nations should go for a walk along the beaches of Normandy. They should visit the huge windswept cemeteries filled with hundreds of white crosses over which float star spangled banners..."

Euro Disney is unprecedented. Not only are there millions of English and Germans on French soil without a war going on, but our cast members represent 85 different nationalities and 35 different languages. There has never been such a work force in the entire history of Europe, and if European unification ever becomes reality, the history books will show that it was an American company that brought such collaboration to the continent.

There you have it. Euro Disney is wonderful. But, with some of the not too unusual financial operating challenges of such an extremely adventurous new project, it will be a while before we know when it will be a financial success.

As I review what I've written – movies and dollars and world-class theme parks and corporate self-praise, I wonder if it is appropriate. On the one hand, you as shareholders want the facts and my enthusiasm, but on the other, I keep reminding Anders, my 14-year-old hockey goalie son, that his shutout last week against Bay Harbor could be followed by a humiliating defeat. Of course, he then reminds me, win or lose, he still inspired our Disney movie smash *The Mighty Ducks*. Sorry I couldn't help it. He reads this letter. As does my oldest son, Breck, who I encouraged this year to go to graduate school in film directing...yet another reason for me to stay in direct touch with the movie business – who knows, he might need a critic.

By the way, if this letter is too long or rambling or inarticulate or whatever, I no longer have Erwin Okun to counsel, review, berate, encourage and protect me. Erwin was our Senior Vice President for Corporate Communications and died in November after a courageous battle with that infuriatingly vicious killer, cancer. He was the best spokesman any company ever had and for eight years was our modest, humble, gentle counselor, adviser and friend. We miss him greatly.

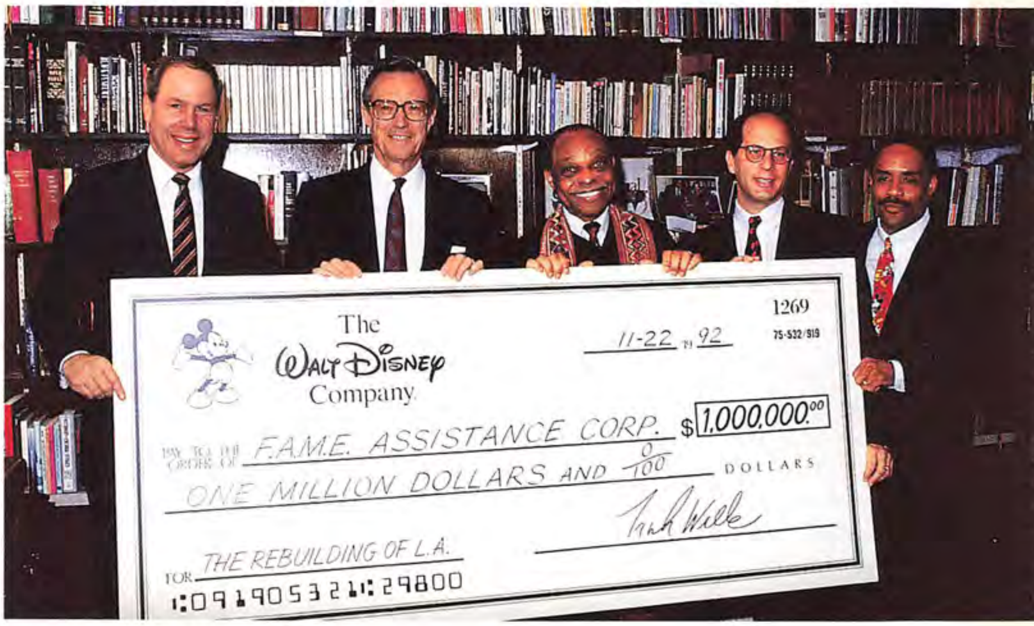
Erwin's loss continues to anger and sadden me, as does a wider tragedy that 1992 brought upon us – the Los Angeles riots. The irony for your company was that on the day of the riots, I was accepting in New York a special award from the NAACP recognizing Disney as being one of the first companies in the nation to sign a Fair Share Agreement to enhance opportunities

for African-Americans and other minorities.

It seemed ironic that whatever we had done in our community did not change those 81 seconds from hell for Rodney King and the four days of inferno for Disney's home community. Our minority hiring programs, our minority business programs, our minority advertising relationships, our minority writing programs for motion pictures, television and Imagineering – all these efforts seem to shrink relative to the magnitude of what Senator Bill Bradley described on May 1 on the floor of the U.S. Senate as "America's Original Sin." He pointed out that, in 1820, Thomas Jefferson articulated the emotions raging around the slavery issue as "a warning bell in the night" which, because it was ignored, cost us a civil war. And, 140 years later, another warning bell was sounded, this time by James Baldwin, who said with unfortunate accuracy, "Beware, the fire next time."

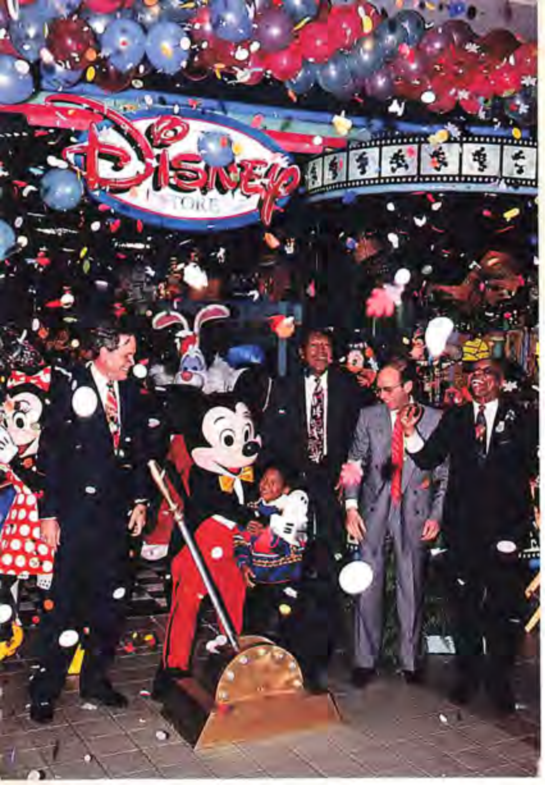
The fire did come and your company has reacted as best it can. In consultation with local community leaders and with the guidance of Frank Wells, who is a member of the board of directors of Rebuild L.A., we put in place a range of programs designed to help address some of the core problems in the community. We hired 230 cast members from the inner city for seasonal employment at Disneyland and another 26 to work at a new Disney Store we opened in South Central Los Angeles. We moved three surplus portable buildings from our studio lot down to Watts where they are now serving as the home base for a locally-administered Learning Center that offers counseling in job skills, computer skills and literacy. We moved another four portable buildings to the Martin Luther King, Jr. Hospital in Watts to serve as a Family Health Center. Our Touchstone Pictures Division has undertaken the sponsorship of the Compton Youth Center. Our Childcraft division is fully equipping a child care center in Watts. Our VoluntEars have gone down to South Central to help clean up after the riots, help with the rehabilitation of the portable buildings and provide mentoring to local residents. Finally, 3,356 West Coast Disney employees contributed funds to make possible a $1 million revolving loan fund to help entrepreneurs in South Central rebuild destroyed businesses and establish new ones.

The first Disney Store in riot-ravaged South Central Los Angeles opened in October. At the ribbon-cutting, left to right, were: Minnie Mouse, Disney Chairman Michael Eisner, Mickey Mouse, Mark Whitlock III, Los Angeles Mayor Tom Bradley, Barry Sanders, co-chairman of the Rebuild L.A. Committee, and the Reverend Cecil Murray, of the First AME Church, Los Angeles.



More than 3,300 Disney West Coast cast members joined the company in a matching funds donation of $1-million for a revolving loan fund to help burnt out entrepreneurs in South Central Los Angeles following the spring riots. Left to right at the presentation ceremony were: Disney Chairman Michael D. Eisner and President Frank G. Wells, the Reverend Cecil Murray, of the First AME Church which is coordinating the program, Kenneth D. Werner, senior vice president of The Disney Studios and Disney program coordinator, and Mark E. Whitlock, executive director of the Los Angeles Renaissance Program.

Of themselves, these efforts will not turn the situation around. But, I believe strongly that these measures are not only the "right" thing to do in themselves, they are also the right thing to do for our company. The cast members we hired for Disneyland and the Disney Store are among the most motivated, able, personable...in other words, the most "Disney"...cast members I have ever met. Beyond that, Mickey Mouse was born in Los Angeles. Our company has a stake in its future, just as it has played a leading role in its past. We owe it to the city and to ourselves to help replace the devastating images of fire, alienation and ashes with a new



reality of hope, welcome and opportunity for all our citizens.

Besides our local racial chaos, if one can say "besides" about something that crucial, 1992 was a year in which everyone associated with The Walt Disney Company can take great pride. Our company is strong and poised for future strength and growth. Jeffrey Katzenberg and Rich Frank have the Studios division in its best shape in history. Joe Roth, recently chairman of Twentieth Century Fox, is coming to us to produce films which will add strength to the product slate of David Hoberman at Touchstone Pictures and Ricardo Mestres at Hollywood Pictures.

Consumer Products under Bo Boyd is igniting on all cylinders, even though Steve Burke left the Disney Stores to run Euro Disneyland under Philippe Bourguignon. Of course, he didn't leave before setting up our Disney Store business in Japan, England, France and Germany. Paul Pressler has taken Steve's job and, even though Steve will never admit it, Paul may well outdo the "do it all" Steve.

And our attractions business is ready for tomorrow under Judson Green. Second parks in Japan, Europe and Anaheim are in various stages of development and additional development at Walt Disney World is ongoing.

Of course, we continue to reserve the option to keep some surprises up our sleeves. And those "hidden ball tricks," those major unknown opportunities, are served up by Larry Murphy, head of strategic planning, who brings his insightful organizational skills onto the corporate court. Richard Nanula, our most able chief financial officer, works fiscal magic of his own, balancing our books and handling our financial obligations while maintaining the ability to underwrite the ever-emerging possibilities presented by the future.

Our company has always invested strongly to achieve a high level of quality. This investment in ourselves has always rewarded us in the end. We will continue to avoid investing in others unless those "others" (euphemism for companies available for acquisition) are or can be quality operations, reasonably priced, with businesses that have or can have complementary missions to our own.

On the other hand, we intend to keep creating new businesses of our own, which spring organically from what our company is all about. A case in point is the Disney Vacation Club, which experienced an incredible first year of operation at Walt Disney World. For the first time, people could own a piece of the magic. To date, more than 3,000 members have signed up. Satisfaction levels are extremely high and the potential for further expansion is unmistakable (though, consistent with another of our corporate traits, we will take it methodically step-by-step, making sure to maintain quality and resist the temptation to do too much too soon).

One last note.

You may have read that I exercised options to buy Disney stock. I did. I had to. I exercised only those options granted in connection with my initial hiring in 1984, which expire in 1994. There was no way to extend that date (we tried) and, with the strong likelihood of impending tax legislation that would, if enacted, result in substantial additional tax liability to the company, it became evident that now was the time to exercise those options. I insisted that Frank Wells do the same. While it may be positive that the new administration plans to raise all sorts of taxes to help reduce the federal deficit, some of those proposals will have a serious negative effect on your company, especially in the area of deductibility of executive compensation. Like all reasonable people we must accept new taxes, but we must also protect our shareholders whenever possible.

Stock options are an understandably sensitive issue. If a company does poorly, they can be worth nothing. But when a company does as spectacularly as ours has, the value of the options increases in the same advantageous way as the holdings of the stockholders.

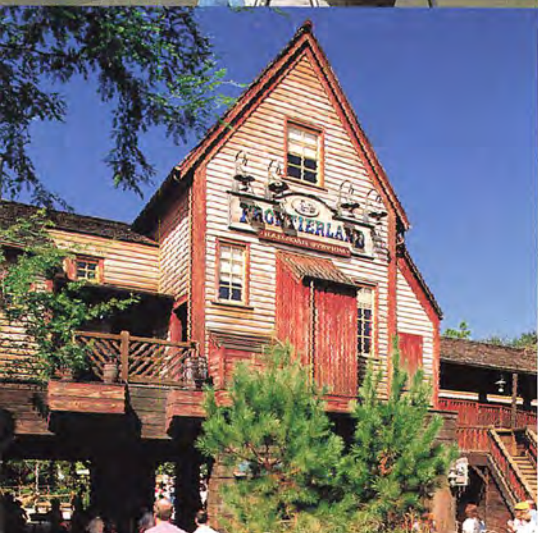
When current management came to Disney our compensation packages were designed to make reward depend on performance, as symbolized by our decision to take a substantial portion of our incentive in the form of stock options. We continue to put our faith in the company as evidenced by the fact that I am currently, and, I believe wisely, after these transactions, holding and intend to hold approximately three million shares of your company's stock.

Again, my congratulations to all our cast members for a great 1992, to Frank Wells for again co-leading your company to records everywhere and helping bring the dream of Euro Disney to magnificent reality, to Roy Disney and Jeffrey Katzenberg for revitalizing the magic of Disney animation. And, a special thank you to the late Roy O. Disney, whose guiding spirit, along with his brother's, continues to inspire us all.

Until next year...

December 4, 1992

Michael D. Eisner
Chairman and Chief Executive Officer



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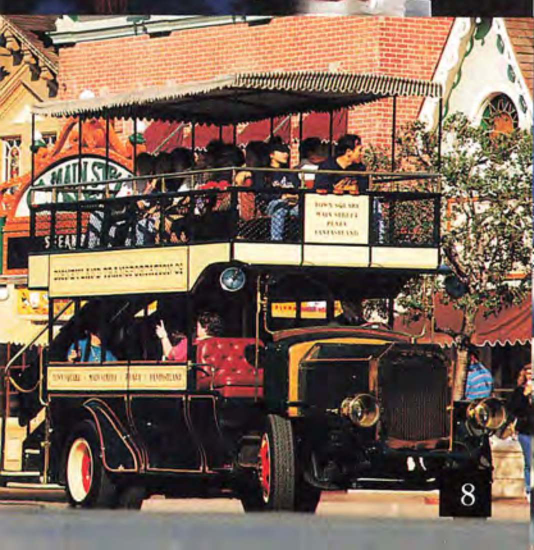
Every hour of every day, somewhere in the world, thousands of guests are enjoying themselves at Disney theme parks.

With the April opening of Euro Disney, the fun now follows the sun around the globe. At least two Disney resorts were open at any given summertime moment, and — for several hours each day — three resorts operated simultaneously.

Euro Disney's successful inaugural quite obviously was the highlight of 1992. Opening ceremonies drew worldwide attention and received news media coverage on four continents. Attendance in the first six months of operation far exceeded the performance achieved previously by any new Disney theme park. This was complemented by an overall 74 percent hotel/campground occupancy rate, a strong start for a hotel enterprise of 5,200 rooms and 500 campsites.

But Euro Disney was not the year's only success story.

At Walt Disney World, the 20th anniversary celebration, the



DISNEY

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introduction of two distinctive resorts and the premiere of the Splash Mountain attraction were the exclamation points.

Splash Mountain also opened – with a splash, of course – at Tokyo Disneyland, which is poised for an elaborate celebration of its 10th anniversary this spring.

Disneyland, too, experienced a noteworthy year. Its success was built around Fantasmic!, a stunning nightly show that continues in 1993. It uses Disney's special magic to make Mickey and his friends appear 30 feet high over Tom Sawyer's Island in Frontierland.

WALT DISNEY WORLD

The Splash Mountain opening in October was the final delight in a 20th anniversary year that recalled Disney's proud past in Florida and promised continued expansion and innovation in the future.

The year saw the arrival of the resort's 400-millionth guest

Preceding two pages, upper left clockwise, views of Disney theme parks around the world: Mother and child at Disneyland; Cyclotron ride and pirate ship, Euro Disneyland; the Jolly Trolley at Mickey's Toontown, opening at Disneyland in January; Main Street trolley, Euro Disneyland, and marching band trombone player, Disneyland; Mad Tea Party, Disneyland; Mickey and Minnie in kimonos, Tokyo Disneyland; giant dragon, "Fantasmic" show at Disneyland; Disneyland castle and bridge; Mad Tea Party and train, Euro Disneyland; S. S. Down-The-Hatch snack bar, Disney-MGM Studios Theme Park; Main Street double-decker bus, Walt Disney World; scene from *Beauty and the Beast* stage show, Disney-MGM Studios; and Frontierland train station, Walt Disney World.

Right: EPCOT Center marked its tenth anniversary. Insets, Mickey and Minnie with friend, and EPCOT Center bus moves past French pavilion.

and the completion of Disney's Dixie Landings Resort and Bonnet Creek Golf Club, home of the Eagle Pines and Osprey Ridge golf courses, as well as the extremely successful startup of the Disney Vacation Club Resort.

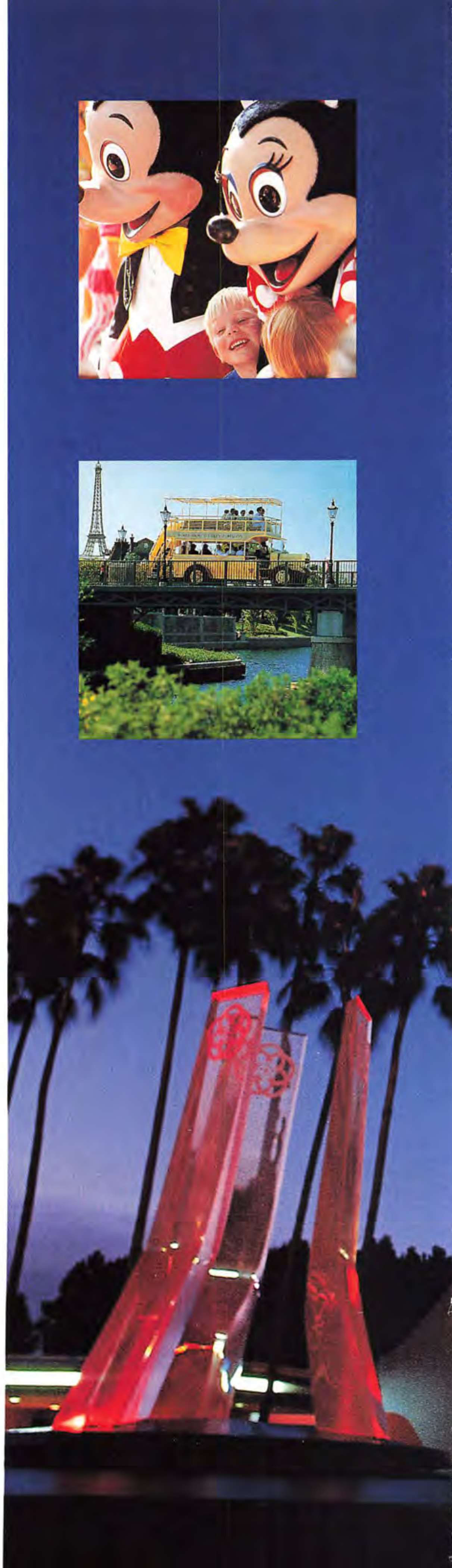
In 1993, ground will be broken for two new hotel properties comprising more than 4,500 rooms, increasing to 15,760 the number of Disney-owned rooms and campsites on the property and raising the overall total to 21,730. In addition, work begins on a whole new look for Tomorrowland and a major expansion of the Disney-MGM Studios Theme Park. To the south, the new Disney town of Celebration will begin to take shape.

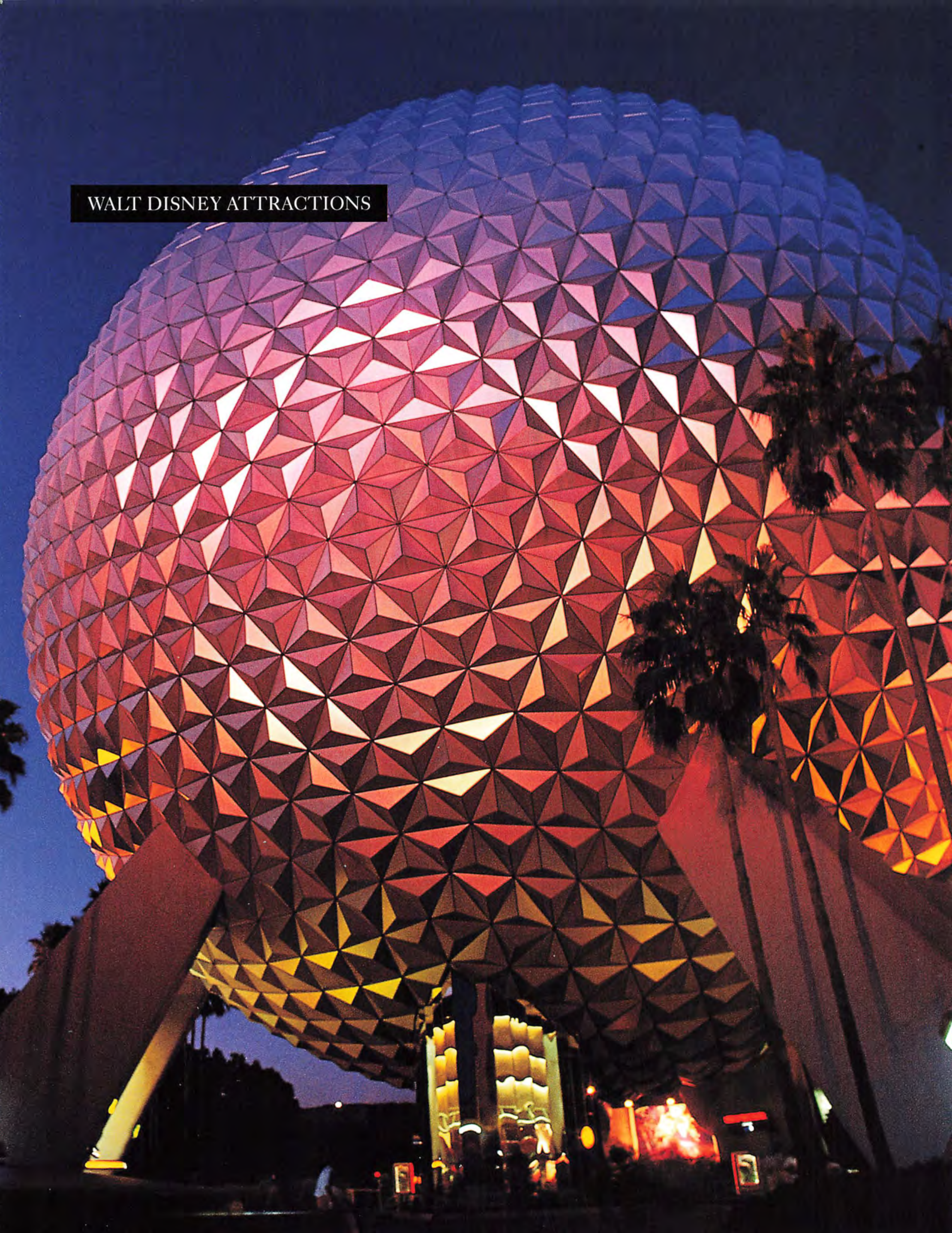
Splash Mountain's official opening in the Magic Kingdom October 2 brought delighted shrieks from the first passengers and applause from spectators. The new attraction – nearly identical to its namesakes at Disneyland and Tokyo Disneyland – takes guests on a 10-minute ride through a simulated logging camp populated by 68 characters from Disney's classic film, *Song of the South.* The ride ends with a 40-mile-an-hour drop down a flume and through a blinding fog bank.

Because of its popularity, the Surprise Celebration Parade at the Magic Kingdom continues as a daily feature in 1993 with its singers and dancers and 40-foot-high Disney balloon characters. Goofy and Max from the new Disney TV series *Goof Troop* join other animated characters in Mickey's Starland Show. The nighttime favorite SpectroMagic will again be presented during holiday and peak vacation periods.

Alien Encounter will be the centerpiece of a Tomorrowland designed as a utopian metropolis that portrays yesterday's visions of a brighter tomorrow. The transformation will create a galactic community inspired by science fiction where humans, aliens and robots all work together.

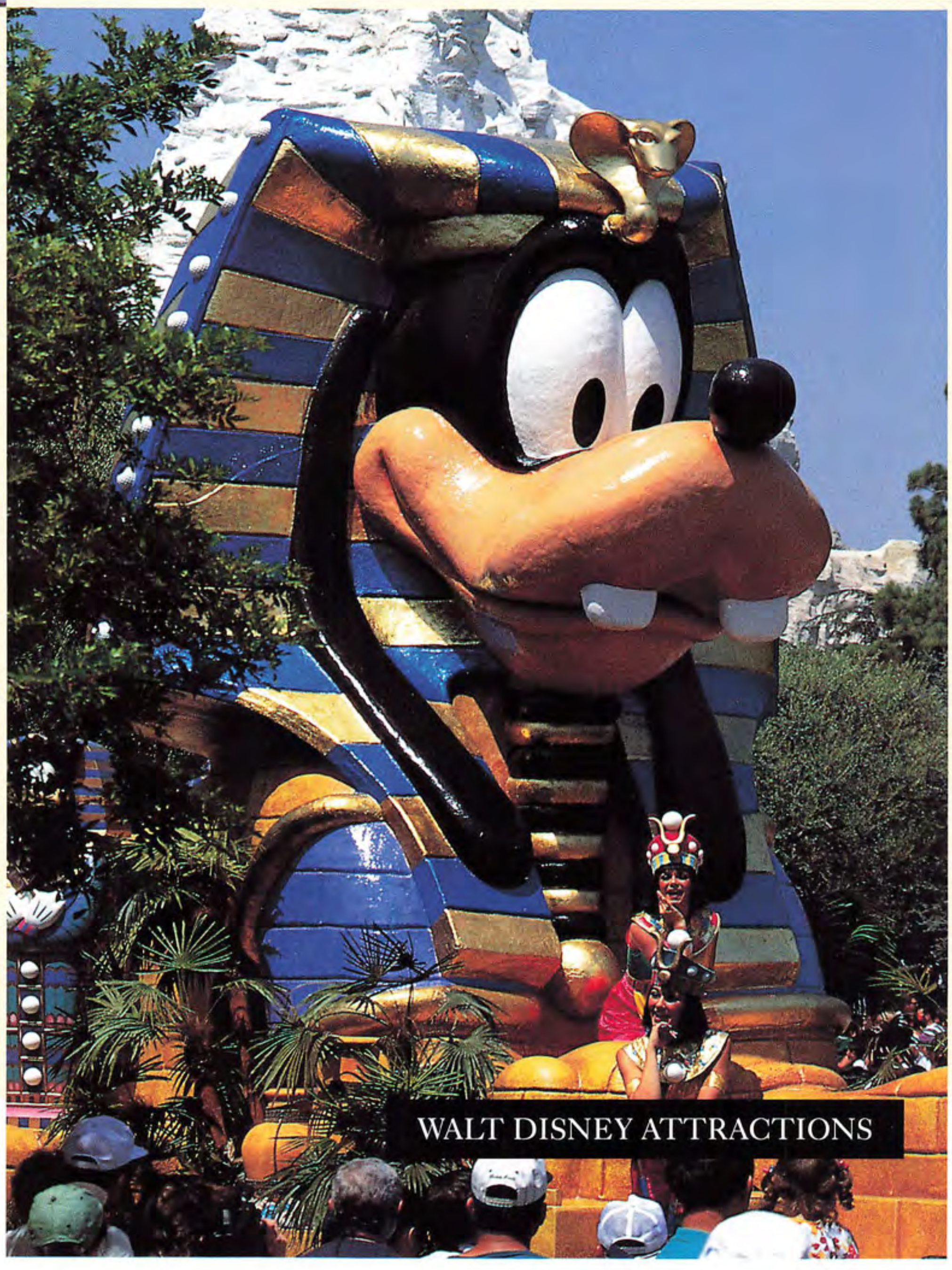
Inside Alien Encounter, X-S Tech, a highly advanced corporation from another galaxy, will introduce guests to the spectacular products it distributes throughout the universe. After being ushered into the lab filled with huge, electrically arcing power generators and





Richard A. Nunis, chairman (right), and Judson C. Green, president, Walt Disney Attractions.

Right, one of the many floats in "The World According to Goofy Parade" at Disneyland during 1992.



WALT DISNEY ATTRACTIONS

giant video monitors, guests witness X-S Tech's latest achievement: interplanetary teleportation. From its home planet, light years away, X-S Tech plans to "beam a volunteer" right into the middle of the Walt Disney World audience. However, the highly ambitious experiment develops complications...it's a shocking encounter requiring some of the most elaborate special effects and audio technology ever used in a Disney Theme Park attraction.

In addition to Alien Encounter, Tomorrowland will feature new versions of the StarJets and Carousel of Progress attractions, as well as a gleaming new high-tech look throughout the entire land, reflecting the future as imagined by machine-age visionaries.

EPCOT Center observed its 10th anniversary October 1. When it opened in 1982, it comprised six Future World pavilions and a World Showcase representing nine nations. Today Future World has nine pavilions, and 11 nations are included in World Showcase.

In its first decade, EPCOT Center has hosted presidents, princes, entertainers and scientists – and some of Disney's best entertainment. Although skeptics abounded a decade ago, they were quickly proven wrong, as Vicki Vaughan reported in the Orlando Sentinel:

"...But EPCOT Center succeeded beyond anyone's expectations. Its odd mix of thrill rides, pavilions about the past and future and its ethnic restaurants drew tourists from the start.

"Attendance at Walt Disney World soared 81 percent in EPCOT's first year," she said. "By late 1983 it was clear that EPCOT...had touched off profound changes in Central Florida's tourism marketplace...."

At the Disney-MGM Studios Theme Park, a group of celebrities broke ground for the Academy of Television Arts and Sciences Hall of Fame, scheduled to open later this year. At the same time, Bill Cosby, Andy Griffith, Ted Koppel, Sheldon Leonard, Dinah Shore and Ted Turner were on hand to be inducted into the Hall of Fame. It was the first time the induction had been held outside Los Angeles.

Elsewhere at the studios, animation has doubled its production space and increased its staff to play an even larger role in producing short subjects and feature films for Walt Disney Pictures. The 20,000-square-foot expansion will enable artists to begin work on full-length motion pictures made entirely in Florida.

These animators already have contributed to such feature films as *The Little Mermaid* and *Beauty and the Beast*, the *Roger Rabbit* and *Off His Rocker* short subjects and *Aladdin*, the newest full-length classic.

Aladdin also provides the inspiration for still another Disney theme park show that opens in December. Daily performances of Aladdin's Royal Caravan re-create the arrival of Aladdin and his friends in the City of Agrabar.

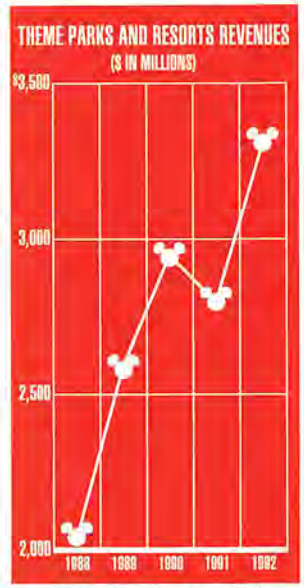
In addition to *The Mickey Mouse Club* TV show, Ed McMahon and his *Star Search* talent showcase now make their home at the Disney-MGM Studios Theme Park. More than 135 segments of the program are being taped for television on Soundstage Two.

Construction also has begun at the Studios Theme Park on a whole new "land," Sunset Boulevard. It features The Twilight Zone Tower of Terror, opening in 1994...a white-knuckle adventure inspired by the 1950's television series. Tower guests embark on a journey into another dimension while exploring a mysterious Hollywood hotel. The trip is climaxed by a 13-story breakaway drop down an elevator shaft.

Sunset Boulevard will offer shopping and dining with a backdrop of Tinseltown landmarks. Along this glamorous thoroughfare, guests will see sidewalk performers and the relocated Theater of the Stars, featuring live entertainment in the best tradition of Hollywood stage spectaculars.

Walt Disney's own private airplane, a vintage Grumman Gulfstream, will go on display in 1993. Only recently retired, it first carried Walt in 1964, later serving Mickey and scores of Disney "ambassadors" on their U.S. tours. Its call sign, "Mickey Mouse 234," is familiar to airport tower operators across the nation.

Resort expansion continued at a brisk pace. Ground was broken for Disney's picturesque Wilderness Lodge, a 725-room resort on the shores of Bay



Following a dip in a recessionary 1991, Theme Parks and Resorts revenues reached a record-level $3.3 billion in 1992. Around the world, Disney theme parks and resorts generated combined revenues of over $5 billion.

THEME PARKS AND RESORTS REVENUE MIX
($ IN MILLIONS)

Disney's resort business,with 12,394 rooms on property at year end, has become an increasingly important component of total Theme Parks and Resorts revenues, growing from 24% of segment revenues in 1988 to 33% in 1992.

Lake designed in the grand tradition of lodges at Yellowstone and Yosemite National Parks.

The log structure's main lobby is a spectacular atrium with towering lodge poles supporting six floors of rustic balconies. A stream flowing through the lobby and a "geyser" a la Old Faithful add to the mood.

The Disney Vacation Club is now in its second year, and already more than 3,000 members own vacation rights to the first 200 Key West-style apartments. Construction has begun on additional units that will almost double the size of the development surrounding the Lake Buena Vista Golf Course.

Another big project, Disney's All-Star Resorts, comprises 3,840 economy-priced guest rooms in two resort villages along World Drive. Broadway, jazz and rock 'n' roll will dominate Disney's All Star Music Resort with such figures as giant cowboy boots and a guitar-shaped swimming pool. Disney's most affordable resort, it is due to open in 1994. Pop-art icons – a giant football, baseball, tennis racket and surfboard – will be the architectural centerpieces.

Because of the tremendous success of Typhoon Lagoon and River Country, design work has begun on a third water park, Blizzard Beach.

Walt Disney World also continues to expand its variety of vacation experiences with group and individual participation programs and special vacation plans. Among them are Jolly Holidays resort packages for the Christmas season, Fantasy Wedding programs and unique honeymoon offerings.

In an unusual father-son collaboration, Robert Trent Jones, Junior and Senior, have designed a challenging golf course as an integral part of the new town, located at the intersection of Florida Highway 4 and U.S. 192. Later phases may include a major international shopping park and transportation center.

Florida Trend magazine singled out Walt Disney World as a resort that "sets world standards for quality," and *Family Circle* readers voted it and Disneyland the nation's two most popular resorts. Fresh from a trip to Florida, Eileen Ogintz wrote in the *Los Angeles Times*:

"Disney World is an unreal place, and don't expect reality to intrude. Everyone is happy and well-fed. Everything is clean. Everyone is courteous.

"Don't be suspicious. Wait until you get home to feel guilty about all the world's problems."

DISNEYLAND

At Disneyland, one word dominated conversations from mid-May onward: "Fantasmic!" Fantasmic!, an incredible nighttime experience combining magic, music, live performers, laser projection, pyrotechnics and other dramatic special effects, drew rave reviews from huge audiences during the summer months.

Staged on Tom Sawyer's Island in Frontierland, the show routinely draws 10,000 guests to each performance – more than twice the original prediction. With a theme of good-versus-evil, Fantasmic! pits Mickey and other traditional Disney characters along with Disneyland guests against 30-foot-tall witches and a 45-foot dragon – some of them electronically imaged on artificial clouds of mist. The *Los Angeles Times* called it "a dazzling multimedia show."

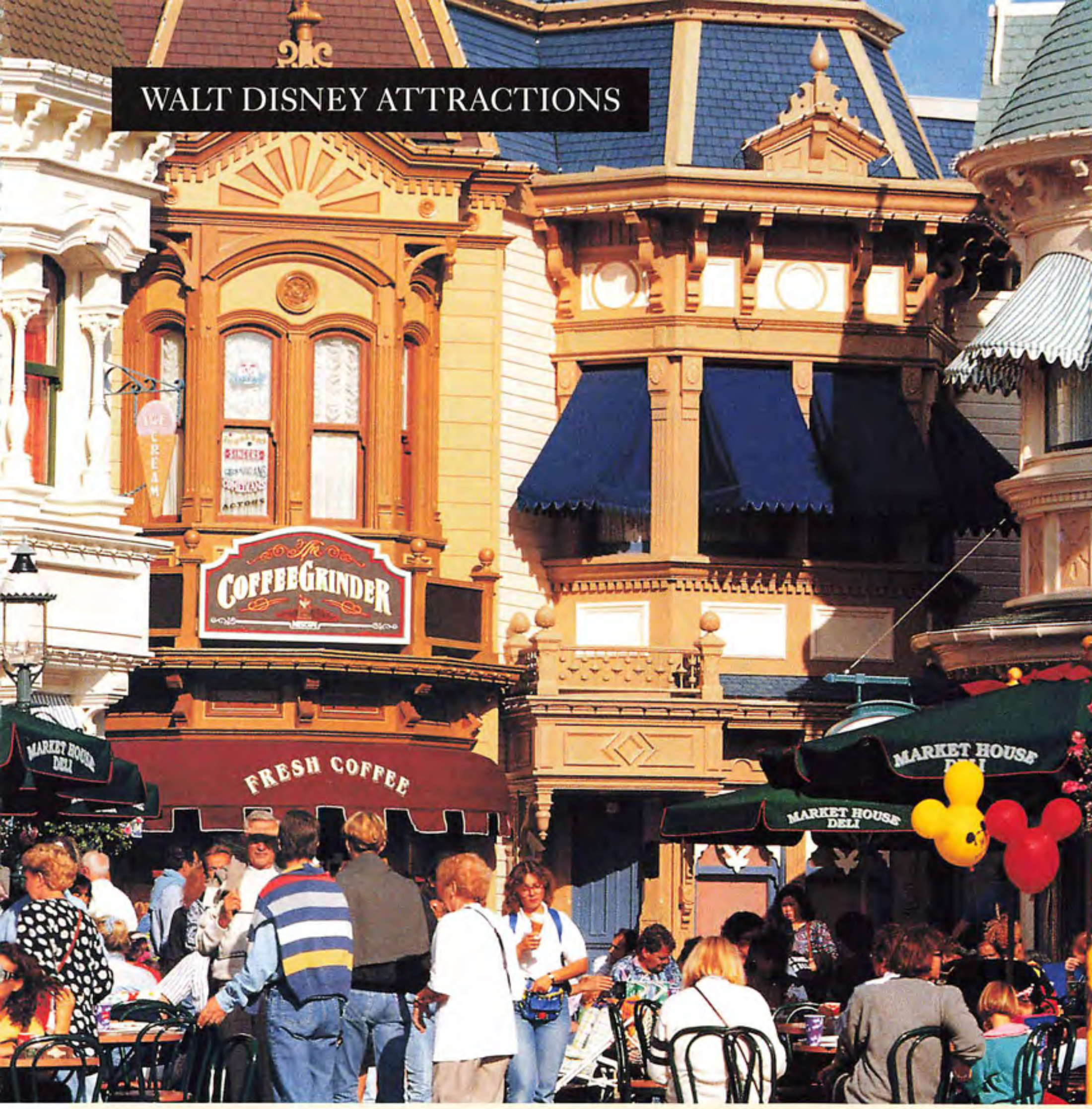
Fantasmic! continues to run twice nightly on non-summer weekends.

A new stage presentation, Beauty and the Beast Musical Show, made its premiere at Disneyland during 1992. Live performers and lavish costumes and stage sets combine with music from the film *Beauty and the Beast* to bring the magic of the movie to life.

A new weekend parade, The World According to Goofy, made its debut to commemorate Goofy's 60th anniversary and his new daily TV show, *Goof Troop*. Characters portray Goofy's family history, going back to an early relative, Goofosaurus.

In January, for the first time in more than 20 years, Disneyland will open a major new land, Mickey's Toontown. It will offer guests their first opportunity ever to visit Mickey Mouse at his own home in Toontown – an exaggerated, three-dimensional world of cartoons where guests will meet and interact with their favorite animated Disney film stars.

In Toontown, manhole covers talk, dishes dance, flowers spin and fire hydrants bend. Goofy lives in an inflat-



Clockwise from top, three Euro Disneyland scenes: a street cafe, stage show finale and Pluto and pal.

Right, Walt Disney World paddle boat; center, the newly opened Splash Mountain at Walt Disney World; lower left, Euro Disneyland street entertainers; lower right, Disney-MGM Studios Theme Park at night.

able house where guests can bounce off the walls. At first glance, Donald Duck's boat, the "Miss Daisy," looks like a boat. After carefully observing it, a guest realizes that the boat really is Donald.

Mickey will take guests on a tour of his Movie Barn, where they'll see the props from famous cartoons. Minnie will invite guests into her home as she bakes a cake and goes about other chores.

The past year saw completion of major refurbishment of the ever-popular Disneyland Hotel. Features are still being added, including a modern fitness center with the latest in health and workout equipment.

The Disneyland Hotel also offers a new nighttime event, the Fantasy Waters Show, spotlighting The Magic of Disney Music. It's a 20-minute sight-and-sound experience at the Seaports Amphitheater. Computers synchronize sound, lighting, water creations and fiber optics to create a new, sophisticated spectacle.

Disney representatives and local government officials are continuing to explore the feasibility of building another theme park, WESCOT Center, adjacent to Disneyland. As proposed initially, this would be a $3-billion resort adjoining the current site.

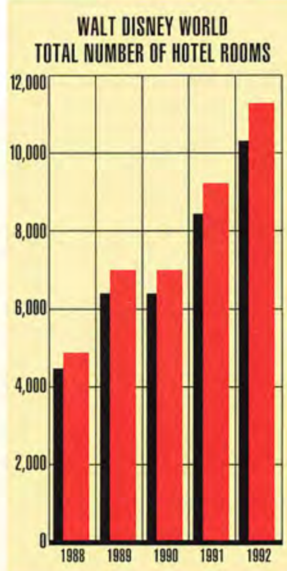
THROUGHOUT THE YEAR, AT ANY GIVEN TIME OF DAY, A DISNEY THEME PARK IS OPEN.

EURO DISNEY

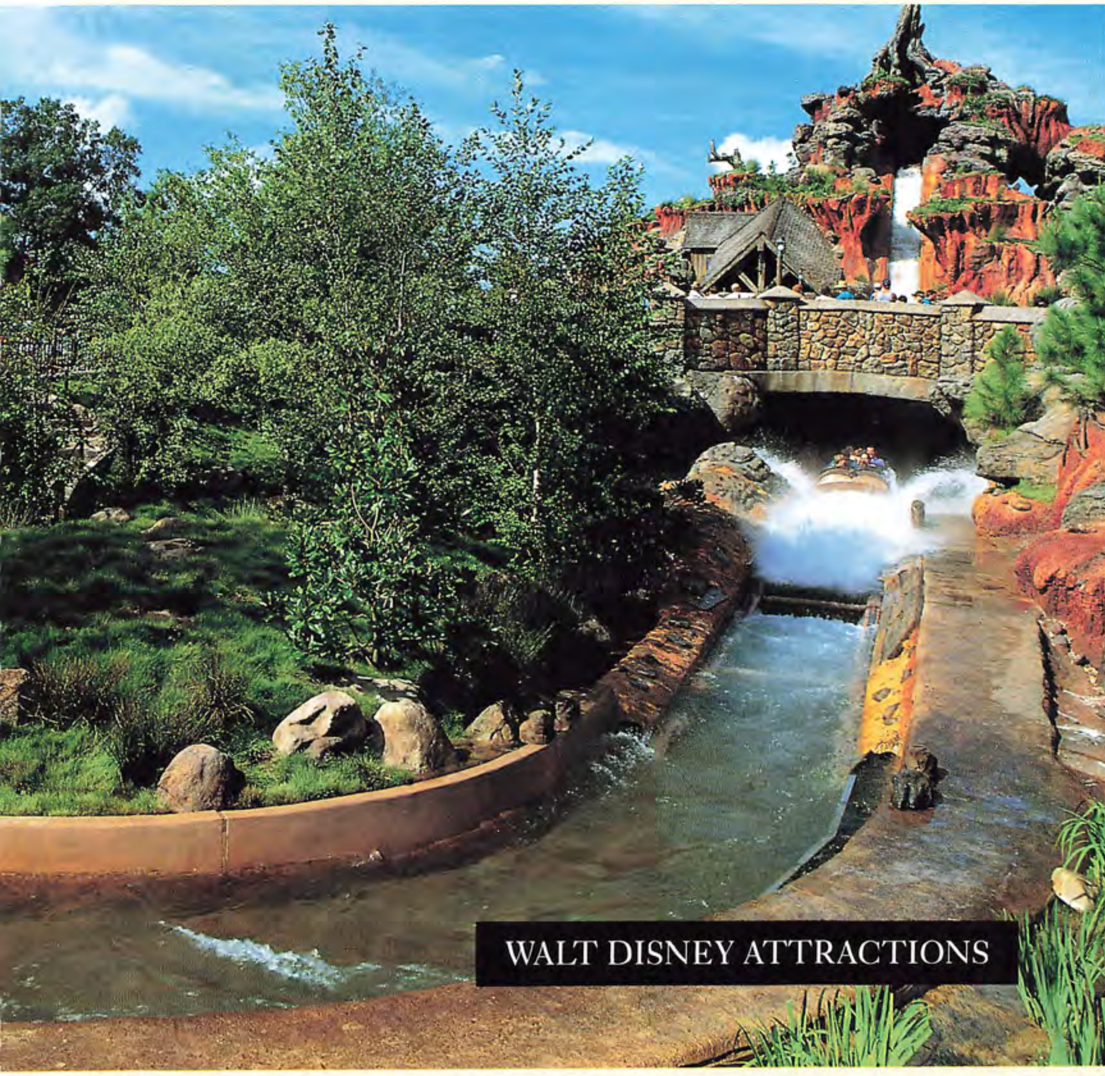
Millions of TV viewers in 22 nations spanning four continents watched the official opening of the Euro Disney Resort April 12. It featured entertainment by some of the world's top performers and was covered by more than 5,000 journalists from around the world.

In the first six months of operation, Euro Disneyland Park attracted seven million guests. This figure is higher than the initial attendance at other Disney parks during their comparable early months, and Euro Disney is now well on its way to becoming Europe's leading resort destination.

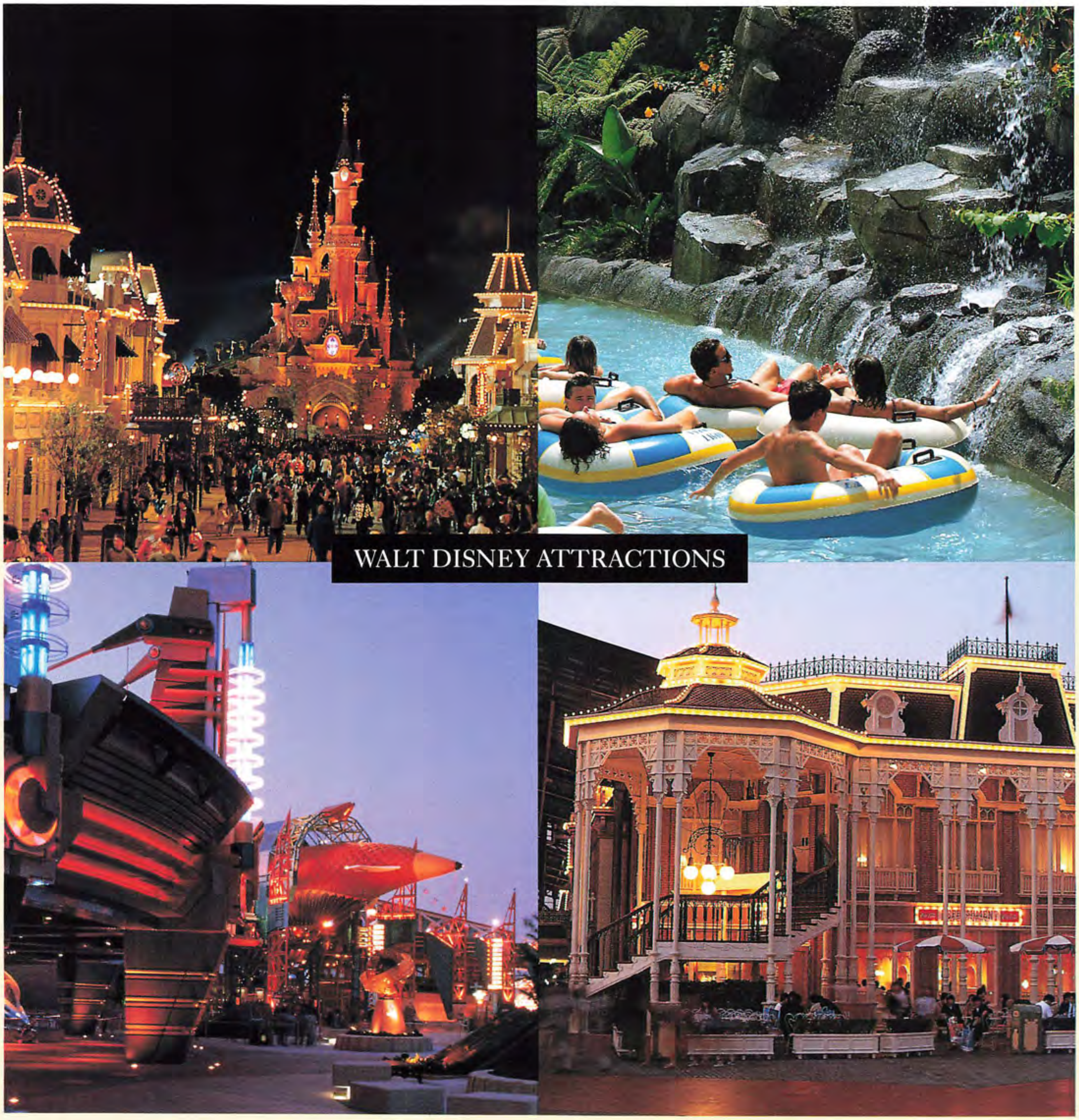
In recognition of Euro Disney's value to the French economy, Prime Minister Pierre Beregovoy in October presented Chairman and Chief Executive Officer Michael D. Eisner with the Chevalier de la Legion d'Honneur.



The total number of hotel rooms owned and operated by Disney at its Walt Disney World Resort has increased 184% since an accelerated buildout began in 1988. Dixie Landing's 2,048 rooms were opened in 1992.



WALT DISNEY ATTRACTIONS



WALT DISNEY ATTRACTIONS

Opposite page, clockwise from upper left: Main Street, Euro Disneyland; Typhoon Lagoon, at Walt Disney World, Florida; Coke Corner, Tokyo Disneyland; and Discoveryland, Euro Disneyland.

The prime minister said of Euro Disney: "It is an incredible achievement which transcends national frontiers. You have drawn inspiration from the fairy tales and stories of every culture, and our own in particular. Everyone can identify with your creations....We are deeply attached to the links of friendship between our continent and yours. Euro Disney is one of the symbols of this transatlantic friendship."

This was the second such honor given to a Disney chief executive by the French government. In 1935, a similar award was presented to Walt Disney himself.

The European market has embraced the Euro Disney Resort, with significant numbers of guests coming from France, the United Kingdom, Germany and Italy. *Le Figaro Economie*, a French publication, noted that on some days during the summer, there were 1,000 tourist buses at Euro Disney and "on such days, there were just as many buses in Euro Disney's parking lot as there were in the whole of Paris."

The Euro Disney Resort, with its man-made Lake Buena Vista, features six hotels – each with its own theme, restaurants, shops and other amenities – offering a total of 5,200 rooms. The Disneyland Hotel and Hotel New York are luxury-rated, the Newport Bay Club and the Sequoia Lodge are first-class resorts, and the Hotel Cheyenne and Hotel Santa Fe are moderately priced accommodations.

For those who want to "rough it," Camp Davy Crockett offers simulated log cabins that nonetheless provide microwave ovens and dishwashers. Campsites are also available.

Festival Disney offers a sampling of "Americana" experiences in its restaurants, boutiques and nighttime entertainment spots. Recreation abounds with elaborate health clubs and swimming complexes, tennis, ice skating, and an 18-hole golf course and clubhouse.

Euro Disney is pursuing the next stage of development with the French Public Parties. This will consist principally of a second theme park, the Disney-MGM Studios-Europe. We expect this expansion will help attract a substantial number of additional visitors and increase the guest length of stay at the Euro Disney Resort. The company is also negotiating a separate agreement that will assure the ability to create a third theme park at the beginning of the next century. We hope that both agreements will be completed in 1993.

In addition to designing, developing, constructing and now managing Euro Disney, The Walt Disney Company owns 49 percent of the resort.

TOKYO DISNEYLAND

After welcoming its 120-millionth guest last August, Tokyo Disneyland turned its efforts toward the 10th anniversary this April. Preparations for a year-long celebration include introduction of an innovative daily parade and live entertainment shows.

The celebration offers more than just parades and shows. Circle-Vision 360 will be transformed into Visionarium, presenting *From Time to Time*, first seen at Euro Disneyland.

The Disney Gallery, to open in April, will display original art by Disney artists. In addition, Swiss Family Treehouse will hold its premiere during the summer portion of the celebration.

As host to approximately 16 million visitors during the 1992 fiscal year, Tokyo Disneyland introduced Splash Mountain, whose opening coincided with the introduction of a similar attraction at Walt Disney World. Occupancy rates at the five official hotels adjacent to Tokyo Disneyland remained strong throughout the year, despite lower-than-normal results elsewhere as the result of Japan's economic slowdown.

Disney and the Oriental Land Co., Ltd., owner/operator of Tokyo Disneyland, continue to discuss development of a second theme park.

THE WAL
STUD

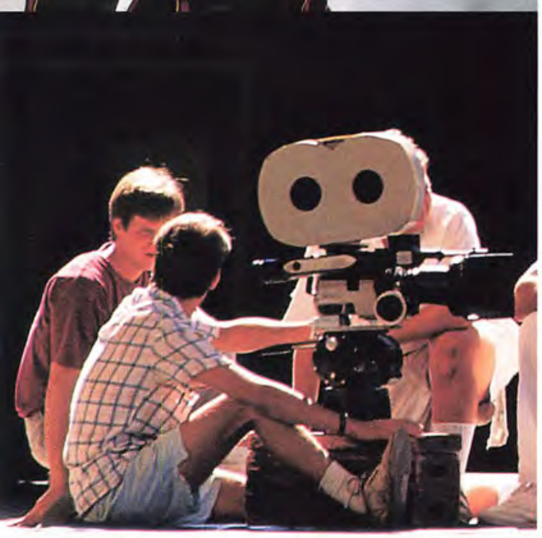
Led by the phenomenal success of *Beauty and the Beast,* The Walt Disney Studios recorded the most profitable year for any studio in Hollywood history. Its $508 million in operating income represented a 60 percent increase over 1991. Revenues totaled $3.1 billion, an increase of 20 percent over the prior year.

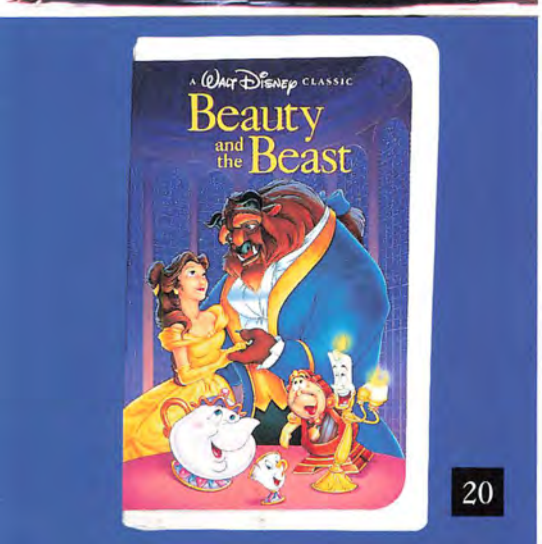
Under the leadership of chairman Jeffrey Katzenberg and president Richard Frank, all divisions of the studios – motion pictures, network television, animation, home video, syndicated television and The Disney Channel – posted strong growth during this extremely successful year.

MOTION PICTURES

During fiscal year 1992, The Walt Disney Studios was number one at the U.S. box office. This is the third time in the past five fiscal years that Disney has ranked first.

Disney's box office performance was propelled by such hits as *Beauty and the Beast, Sister Act, The Hand That Rocks the Cradle,*





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Father of the Bride and *Encino Man*. With a domestic gross of more than $145 million, *Beauty and the Beast* became the first animated film in history to earn more than $100 million at the box office. Three Disney films – *Beauty and the Beast*, *Sister Act* and *Father of the Bride* – ranked among the ten most successful films of 1992.

The profitability of Disney films was further boosted by the fact that on average they were produced with budgets substantially below the industry average.

The studios ended 1992 with three popular releases for the holiday season.

First, there was *Aladdin*, Disney's 31st feature-length animated film. In the great Disney tradition, *Aladdin* used spectacular animation to tell a classic fairy tale for the enjoyment of audiences of all ages.

"*Aladdin* is a film of wonders," said Kenneth Turan of the *Los Angeles Times*. Jim Svejda of KNX/CBS Radio called it "the best film of the year. It would have taken a miracle to surpass the

THE WALT DISNEY STUDIOS

achievement of *Beauty and the Beast.* The miracle's name is *Aladdin.*" And Janet Maslin of the *New York Times* said, "When it comes to Disney animators and children's films, this remains certain: nobody does it better."

In its first weekend in wide release, *Aladdin* grossed \$19.3 million, the most successful opening for a new animated film in Hollywood history.

In December came Walt Disney Pictures' *A Muppet Christmas Carol*, in which Michael Caine joined Kermit and the gang for a lively new version of the Dickens classic. The month also brought Hollywood Pictures' *The Distinguished Gentleman*, starring Eddie Murphy as a con-artist turned congressman.

In 1992, Walt Disney Studios' films were also very popular at the international box office.

Beauty and the Beast experienced even greater success overseas than in the United States. By year's end, it had set the record for the most successful international release of an animated film in history. When it finally finishes playing in theaters, the film will have grossed more than \$200 million internationally, making it the second most successful Walt Disney Studios film of all time, just behind Touchstone Pictures' *Pretty Woman.*

Other major international releases were *The Hand That Rocks the Cradle*, *Father of the Bride*, *Snow White and the Seven Dwarfs* and *Encino Man*, which, to illustrate the varied and unpredictable opportunity presented by international markets, became the studios' number-one film ever in Thailand.

As of early 1993, Disney ended its overseas distribution relationship with Warner Brothers International and began distributing its own films. Buena Vista International's first release will be *Sister Act*. Other 1993 international releases with potentially strong appeal are *The Distinguished Gentleman*, *Aladdin*, *The Mighty Ducks* and the reissues of *Bambi* and *The Jungle Book.*

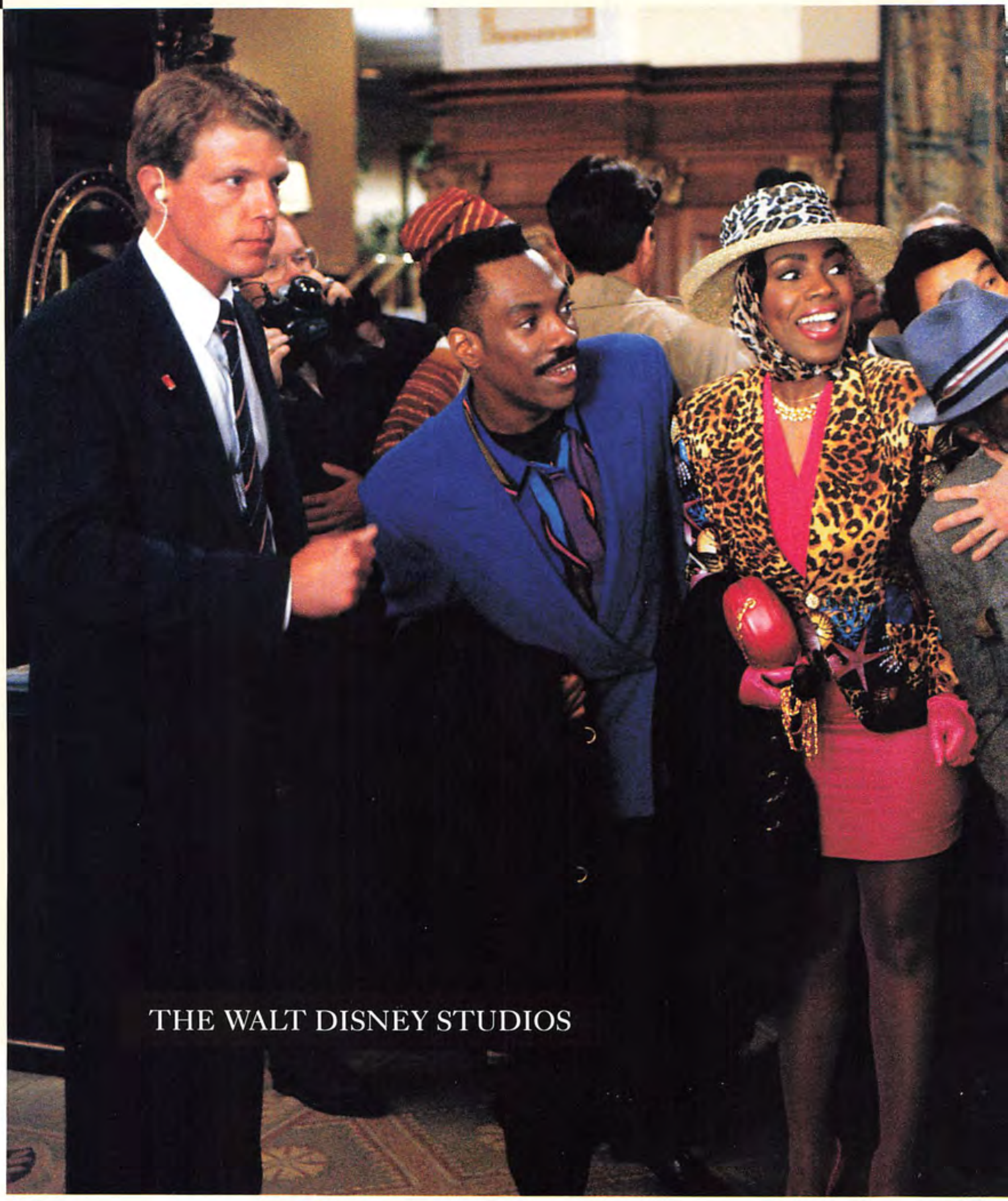
Domestically, Touchstone, Hollywood and Walt Disney Pictures will release a varied slate of films, including *Life With Mikey*, starring Michael J. Fox; *Hocus Pocus*, with Bette Midler; *The Adventures of Huckleberry Finn*, with Jason

Clockwise starting at upper left: pages 20-21, signs, scenes, products and personalities of the Disney Studios. *Aladdin* marquee lights the night; new Mouseketeers on The Disney Channel's *Mickey Mouse Club;* Ariel and friends from *The Little Mermaid* TV series; a scene from the upcoming Disney movie release *Homeward Bound: The Incredible Journey;* Disney Channel scene from *Adventures in Wonderland;* a scene from *Aladdin;* Eddie Murphy is *The Distinguished Gentleman*, opening in December; Mayim Bialik and Joey Lawrence star in TV series *Blossom;* Morris Chestnut plays the title role in *The Ernest Green Story*, a premiere film of The Disney Channel; Buena Vista Home Video offers popular Muppet movies with watch premiums; Baby and Earl Sinclair in a familiar scene from TV hit *Dinosaurs;* Don Johnson, John Goodman and Melanie Griffith cross paths in upcoming movie *Born Yesterday;* TV comedy *Herman's Head* depicts the inner struggles of a young man coping with conflicting emotions; *Beauty and the Beast* continues to break records in Home Video; cameramen debate a shot; and Paula Abdul, one of the many stars of *For Our Children*, a Disney Channel telethon to help children born with AIDS.

Opposite: Robin Williams is the voice of the genie in *Aladdin*, Disney's latest full-length animated hit.

Jeffrey Katzenberg, chairman (right), and Richard Frank, president, The Walt Disney Studios.

Right, Eddie Murphy stars as a small-time con-man who gets elected to the U. S. Congress in *The Distinguished Gentleman.*



THE WALT DISNEY STUDIOS

Robards; *Honor Among Thieves*, with Patrick Swayze; *Super Mario Brothers*, with Bob Hoskins, and two sequels to past Disney hits, *Stakeout II* and *Sister Act II*.

In animation, summer 1993 will bring the re-release of perhaps the greatest Disney classic of all, *Snow White and the Seven Dwarfs*. And, for the 1993 holiday season, there will be something completely new – *Nightmare Before Christmas*, a dazzling and innovative film produced by Tim Burton and shot entirely using stop-motion animation.

NETWORK TELEVISION

The studios became further established as a major provider of network television programming.

During the 1991-1992 television season, Disney had two of the five highest-rated new shows, *Home Improvement* and *Nurses*, with *Home Improvement* being far and away the most successful new show of the season.

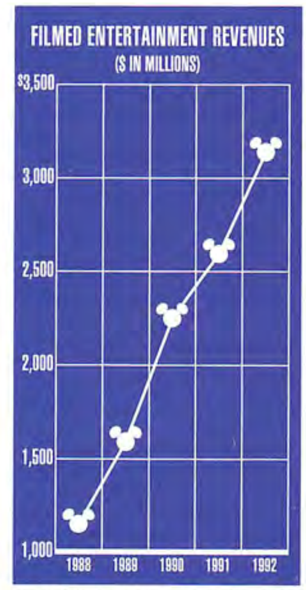
In the fall of 1992, Disney was the industry's largest provider of network situation comedies, with seven returning shows and two new shows. In addition, two more shows will air on ABC and NBC starting mid-season.

On Saturday mornings, Disney is the largest provider of children's programming, with *The New Adventures of Winnie the Pooh*, *Darkwing Duck*, *Goof Troop*, *Raw Toonage* and *The Little Mermaid*. *TV Guide* gave *The Little Mermaid* TV show an "A+," saying it offered "gallery-quality artwork, with rich, varied colors and delicious details. Kids know a class act when they see it."

In 1993, Disney television specials will continue to provide entertainment for the entire family. They include *The Best of Disney Music: A Legacy in Song*, *Best of Country '92: Countdown at the Neon Armadillo* and a celebration of Mickey's 65th birthday, which will showcase a grand tour of Disneyland's newest "land" – Mickey's Toontown.

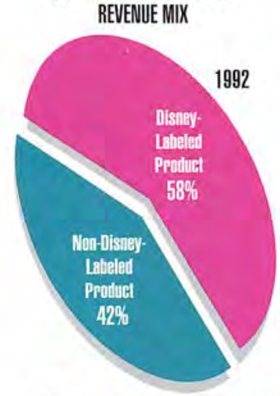
SYNDICATED TELEVISION

In domestic syndication, *The Disney Afternoon* continues to dominate children's television programming, with four of the six highest-rated animated series in syndication and the number-one show



Filmed Entertainment revenues have shown 29% compound annual growth over the last five years and, in 1992, exceeded total revenues generated by the entire Company in 1987.

FILMED ENTERTAINMENT REVENUE MIX



Fifty-eight percent of 1992 Filmed Entertainment revenues were from Disney-labeled businesses, such as animated features, The Disney Afternoon, animated television programming, classic library product, and The Disney Channel. These higher-margin businesses leverage the Disney franchise and provide an even greater percentage of Filmed Entertainment operating income.

for each of the last five seasons. In 1992, Goofy joined in with his own show, *Goof Troop*. The show immediately rose to the top of the ratings.

Next fall, the new kid on the *Disney Afternoon* block will be Bonkers D. Bobcat, a well-meaning toon who finds trouble wherever he goes. He'll star in his own show, *Bonkers!*

In the adult first-run syndication market, *Live with Regis and Kathie Lee* has steadily gained fans and is the fastest-growing talk show. Meanwhile, *Siskel & Ebert* remains the favorite stop on the TV dial for movie buffs.

Among syndicated situation comedies, *The Golden Girls* has sustained its ranking for nearly two full seasons. In 1993, *Empty Nest* will enter syndication and is expected to be on the air in 85 percent of the nation's television markets.

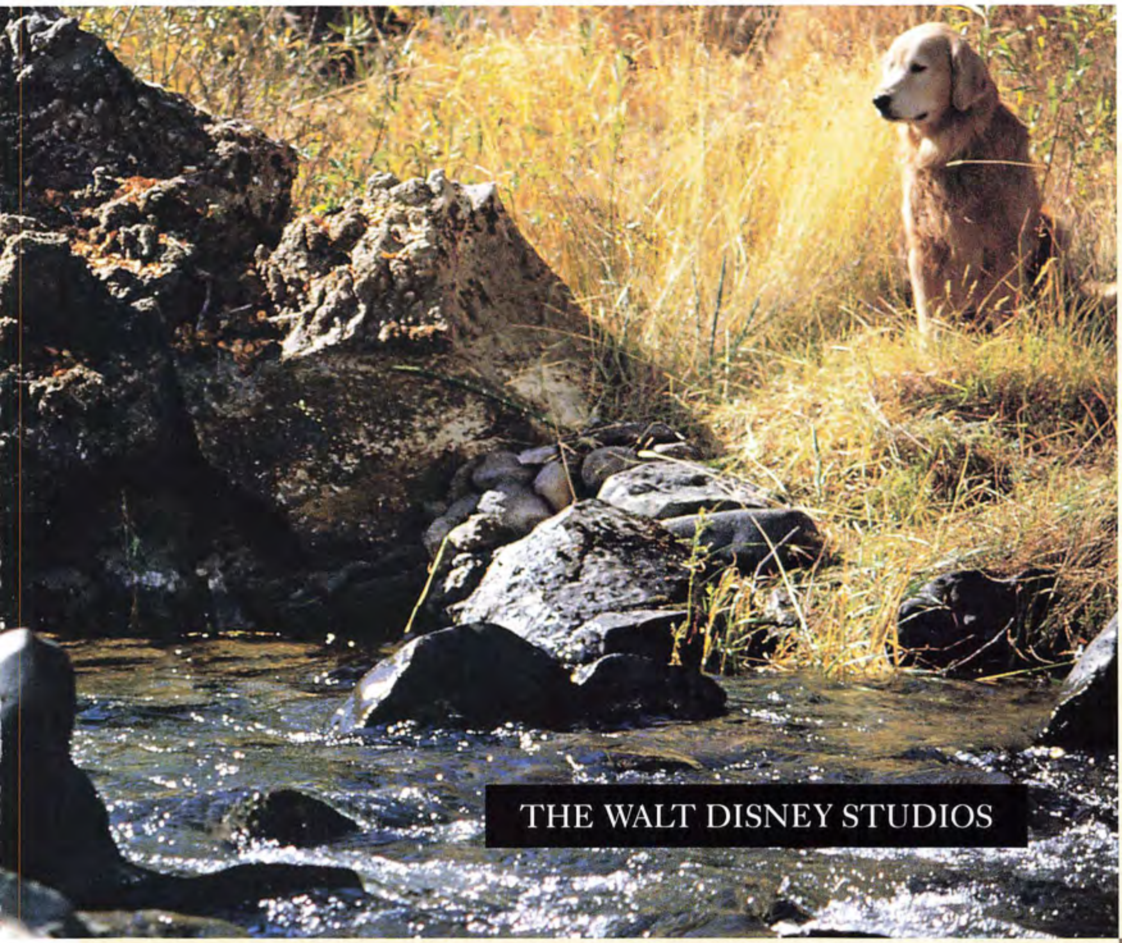
The Golden Girls and *Empty Nest* represent just the beginning. Thanks to the primetime popularity of *Blossom*, *Dinosaurs*, *Herman's Head*, *Nurses* and *Home Improvement*, efforts are already under way for the eventual syndication of these shows.

In addition to distributing Disney shows, the studios also successfully sold the hit NBC network series *Unsolved Mysteries* to Lifetime Cable and became the national advertising sales representative for the hit series *Roseanne* as it made its debut in syndication in the fall.

In the area of international distribution and production, Disney broadcast the Euro Disney Grand Opening special live in five languages before an audience of more than 60 million people in Europe alone – an unprecedented achievement.

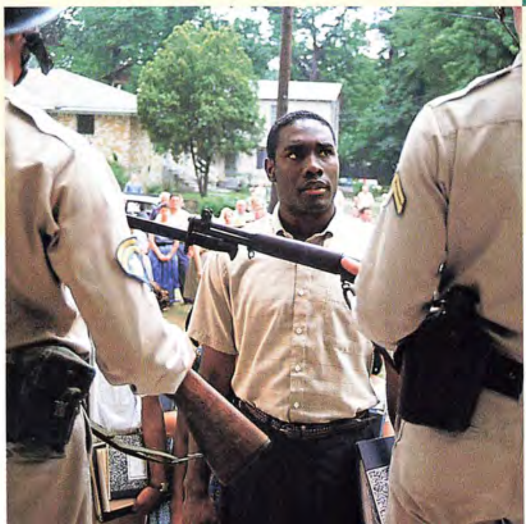
Behind what once was the Iron Curtain, the studios concluded a 10-year deal that enables it to air up to six hours of Disney programming per week in Russia. Disney programming is also now seen in Poland, the Czech Republic, Hungary and Bulgaria. Disney has expanded its interests in foreign TV, acquiring a 25% interest in GMTV, one of Britain's national broadcasters.

The Disney Clubs and other Disney-branded shows continue to expand around the world. These programs are currently airing in 32 countries, commanding a weekly audience of more than 150 million viewers.



THE WALT DISNEY STUDIOS

Clockwise from left: Goofy and his teenage son Max star in *Goof Troop*, the latest half-hour addition to *The Disney Afternoon*, the two-hour TV syndicated series appearing nationwide; *Homeward Bound: The Incredible Journey* will make its debut on the big screen in early 1993; Morris Chestnut plays Ernest Green, one of the first Afro-Americans to attend the previously all-white Central High School in Little Rock, Arkansas, in *The Ernest Green Story* on The Disney Channel; and Estelle Getty and Cheech Marin share the hotel kitchen in *The Golden Palace*, this year's TV successor to *The Golden Girls*.



The newest Disney television venture overseas is the production of an international version of WGBH/WQED's *Where in the World Is Carmen Sandiego?*

THE DISNEY CHANNEL

The Disney Channel continued to post extraordinary growth in its subscriber base, with an increase of 850,000 in fiscal year 1992 to a total of nearly seven million – this despite a general decline and retrenchment in the overall pay television industry.

The channel's programming received widespread recognition, including three Primetime Emmy Awards – two for the Disney Channel Premiere Film *Mark Twain and Me* and one for the series *Avonlea*. It also received seven Daytime Emmy Awards, more than all the other cable networks combined, and more than either NBC or ABC.

In 1993, the channel will emphasize distinctive programming such as music specials focusing on Ringo Starr and Tina Turner. In February comes a particularly special special, *For Our Children*, a telethon with proceeds going to the Pediatric AIDS Foundation. *For Our Children* will headline such performers as Paula Abdul, Michael Bolton, Randy Newman, Bobby McFerrin and Melissa Etheridge, who will offer their unique interpretations of classic children's songs. And the channel will continue to offer subscribers exclusive world premiere movies, such as *The Ernest Green Story*, which recounts the courageous efforts of nine black Americans who enrolled in a previously segregated Arkansas high school in 1957.

HOME VIDEO

The studios' home video division continued to build on its uninterrupted success of the last half decade.

In domestic home video, Disney was number one for the fifth consecutive year. *Fantasia* became the all-time best-selling video tape in history, with more than 14 million units sold in the U.S. However, *Fantasia's* record was short lived. In October, *Beauty and the Beast* became available on video. More than one million units were sold in its first day of release and *Beauty and the Beast* went on to become the new video sales champ.

For the year, Disney's home video division represented some 40 percent of the total domestic sell-through video business. Disney also released two of the year's top-10 in the video rental market – *Father of the Bride* and *The Hand That Rocks the Cradle*.

International video markets represent an area of tremendous growth, since households overseas are now purchasing VCR's at a rate comparable to that in the United States. For the first time, Disney was number one internationally, largely due to the success of *Fantasia*, which sold more than seven million units, becoming the all-time best-selling international video release. *The Little Mermaid* and *Lady and the Tramp* are rated numbers two and three.

KCAL-TV

Independent television station KCAL-TV showed steady growth in the Southern California television market. The station's commitment to *Prime 9 News* has resulted in ratings growth of 67 percent since the 8p.m.-11p.m. segment premiered nearly three years ago.

KCAL received a record 50 Emmy Award nominations in 1992 and was awarded an Emmy for Best 60 Minute News Broadcast in Southern California. KCAL has also produced critically acclaimed special programs, such as *Women With AIDS*.

The station expanded its new programming June 15 with Southern California's only local weekday news broadcast at 6:30 p.m. – *First 9 News*. Despite its position directly opposite the three national newscasts, *First 9 News* has performed well and actually beats the competing CBS-TV newscast on a regular basis.

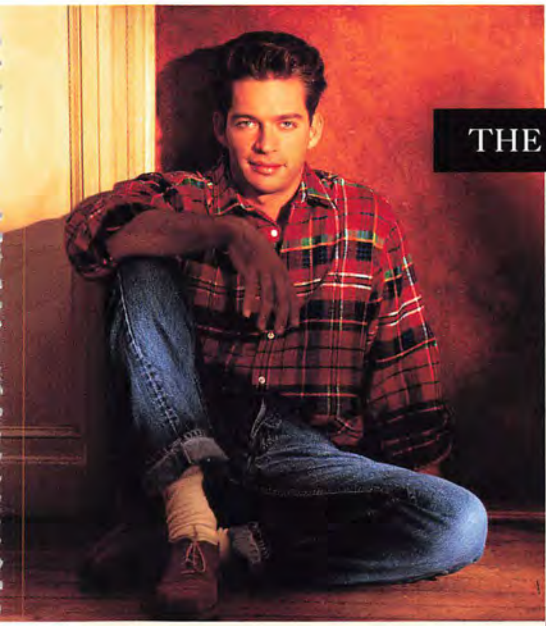
The station's other programming features include such shows as *Inside Edition*, *The Maury Povich Show*, *The Whoopi Goldberg Show*, *The Golden Girls* and *The Disney Afternoon*, all Los Angeles Lakers road games and the Los Angeles Raiders' pre-season football games.

The popularity of KCAL's programming has helped it become the number-two station in the entire Los Angeles market in daytime, second only to the area's ABC-TV network affiliate.

BUENA VISTA HOME VIDEO TOP-SELLING TITLES

BEAUTY AND THE BEAST
FANTASIA
101 DALMATIANS
BAMBI
THE LITTLE MERMAID
THE JUNGLE BOOK
WHO FRAMED ROGER RABBIT
PETER PAN
CINDERELLA
PRETTY WOMAN
HONEY, I SHRUNK THE KIDS
THE RESCUERS DOWN UNDER

The Walt Disney Studios has provided the domestic home video market with twelve of the top twenty all-time best-selling video titles.



Opposite page: Pinocchio returns to home video in spring 1993; top left, The Disney Channel's *Sunday Night Showcase* will present the world premiere of *Harry Connick, Jr.: The New York Big Band Concert* in February; bottom left, KCAL's "Sky 9" helicopter providing live shots from all over the Southland; center, a Deluxe Collector's Edition of *Beauty and the Beast* is offered by Buena Vista Home Video; bottom right, KCAL reporter Marc Watts does a remote newscast.

DIS
CONSUMER

Disney Consumer Products revenues topped $1 billion for the first time during 1992 as *The Little Mermaid* and *Beauty and the Beast* became licensing superstars and the Disney Stores touched down on their third continent.

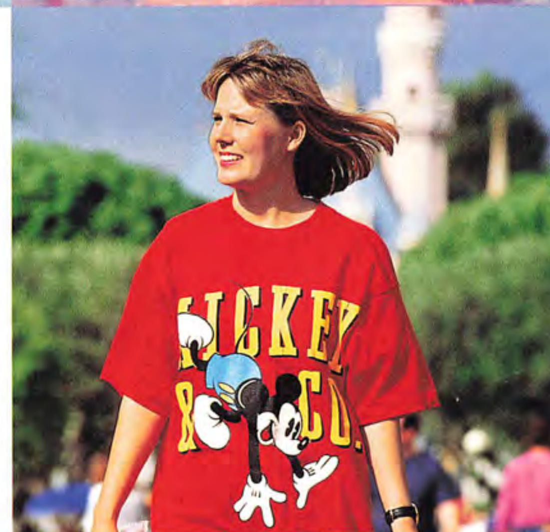
Film merchandising was raised to an art. Three years after the film's release, *The Little Mermaid* was the world's most popular licensed property for little girls; revenues tripled from 1991. That vivid success helped groom *Beauty and the Beast* for similar results, though at year's end, *Aladdin* seemed ready to outpace them all.

Publishing remained a key strength. Worldwide, some 200 book titles heralded the arrival of *Beauty and the Beast.* Several non-Disney book and magazine ventures showed exciting results, including a chart-topping paperback from presidential candidate H. Ross Perot. Circulation of Disney's three U.S. magazines reached two million.

Merchandise, publications and music in Europe basked in the

NEY

PRODUCTS



opening of the Euro Disney Resort. Disney's 141 magazines in 28 languages reached 30 million weekly readers in 29 countries across Europe.

All around the world, Disney stretched its magical reach – a new comic in China, Mickey Mouse toys in the Philippines, new Disney Stores in Puerto Rico and Japan.

THE DISNEY STORE

By Christmas, The Disney Store had become one of the first truly global retailers with 193 locations worldwide. North America hosted 173 stores thanks to 54 new openings, including three in Canada. In Europe, 13 new stores joined four in the U.K.; the first French store opened November 14 near Paris.

With the August opening of a store in Yokohama, Disney became one of the first U.S. retailers to enter Japan without a joint venture partner. The grand opening set a record for first-day sales, and more than 150,000 guests visited the first month.

Preceding pages, clockwise from upper left: "The Mickey Mouse Waddle Book" from Applewood Books; Fun Bubbles Camera and Mickey's Call Back Phone by Mattel, Mickey's Etch-a-Sketch from Ohio Art; personal computer games by Walt Disney Computer Software; Mickey and Co. apparel by DonnKenny; Disney's three U.S. magazines; Pinocchio cookie jar by Treasure Craft; DonnKenny apparel; books from the United States and Europe; Hasbro's talking Baby Sinclair doll; music product from Japan; Beast doll by Dakin; new *Beauty and the Beast* show from Walt Disney's World on Ice; Mickey bags from United Kingdom licensee Little Designs; character Revolutionary War chess set by Goebel; "The Music of Disney – A Legacy in Song" from Walt Disney Records; *Aladdin* figurines from The Disney Store.

Lower, "Hip Mick" bedding from Wamsutta/Pacific.

Two more Japanese stores opened in Tokyo toward the end of the year, including a 6,400-square-foot location in the vibrant Shibuya shopping district.

The stores continued to emphasize support of other Disney operations. London's Regent Street store displayed a large model of the Euro Disney castle and tested a Disney Attractions information counter. The stores worldwide sold more than one million theme park tickets.

MERCHANDISE LICENSING

Merchandising of animated films reached a new level of sophistication in 1992. *Aladdin*, triggering the biggest merchandise launch for any Disney film, targeted girls, boys and adults with product that expertly reflected the adventure, humor and romance of the film.

The success of *The Little Mermaid*, now the reigning queen among Disney's classic heroines, was inspired partly by a host of new designs and new products. A quarterly *Little Mermaid* magazine was introduced by Welsh Publishing in June.

Dinosaurs merchandise was also big, and Hasbro's talking Baby Sinclair doll—"Not the mama!" and "Gotta love me"—helped spread the word.

Disney and Mattel continued to achieve excellent results with their long-term agreement for preschool toys. Mattel enjoyed additional success with its expansion into film properties, including plush *Dalmatian* puppies and *Beauty and the Beast* plush and fashion dolls.

In standard character merchandise, the Disney Babies grew to 2,000 infant products from such top companies as Dundee, Evenflo and Graco. At year end, The Bambi Collection was introduced to retailers, adding Bambi, Thumper and forest colors to the popular Babies line.

1992 was also the year to "Get Goofy." He celebrated his 60th birthday with goofy merchandise and a host of special events, including an appearance as a 60-foot balloon in Macy's Thanksgiving Day Parade.

PUBLISHING

Licensed publishing had a record year, capped by Disney's first foray onto the *New York Times* best-seller list; Penguin's 96-page storybook of *Beauty and the Beast* sold 2.8 million copies and spent 23 weeks on the chart.

An extended agreement was signed with long-time Disney publisher Western for mass market books in the United States. Disney also licensed Penguin USA for a new line of picture storybooks and C.R. Gibson for baby memory books.

In its first full year, Disney's adult publishing company, Hyperion, introduced 43 books. H. Ross Perot's prescription for fixing America, *United We Stand*, sold an estimated one million copies before the election. Hyperion plans 96 titles for 1993.

Barton K. Boyd, president, Disney Consumer Products

Disney's general-interest children's imprint, Hyperion Books for Children, introduced 42 books during the year. The jewel of its fall list was *Morning Girl* by respected novelist Michael Dorris, the story of a Taino girl and her brother set in the Bahamas of 1492.

Disney's other U.S.-based juvenile book company, Disney Press, created a promotion with the American Library Association in which Belle invites children to "open the door to wonder ... get your library card" in libraries all across America.

Disney's new magazines continued to grow. *Disney Adventures*, the only general-interest magazine for kids 7 to 14, doubled ad revenues and doubled circulation to 650,000. An industry survey named *Adventures* the fastest-growing consumer magazine of 1992.

FamilyFun, acquired in February, is for parents with children 3 to 12. Its strong emphasis on travel and outdoor activity drew advertising from resorts and car and bicycle makers, among others. Six issues will be published in 1993, 10 in 1994.

Discover magazine, purchased in 1991, was redesigned and relaunched during 1992 and continues as the leading national consumer science monthly. The Disney Channel previewed the November issue in a half-hour program, "*Discover's* 10 Great Unanswered Questions of Science."

The Walt Disney Direct Marketing Group launched two new children's book series, *Mickey Wonders Why* and *The Little Mermaid Treasure Chest*. Those, plus ongoing series on Disney Babies and Minnie 'n' Me, have enrolled almost one million families since 1990.

ANIMATION ART

The excitement continued for Disney animation art. At a Sotheby's auction October 17 in Hollywood, collectors bid on 249 lots of cels from *Beauty and the Beast*, framed with original production backgrounds, which went for $1.26 million, twice the presale estimates.

In similar style, The Walt Disney Classics Collection introduced a line of fine porcelain figurines after two years of painstaking development. The first sculptures from Disney artists were so popular some dealers sold out initial orders before the figures went on display.

DISNEY MUSIC

Of musical note, *Beauty and the Beast* became the fastest-selling Disney soundtrack in the company's history and earned a double platinum sales award. It was released internationally in 14 languages.

Walt Disney Records, Disney's family and children's recording label in the U.S., introduced the Spotlight Artists Series, well-known stars performing for children. Country Music for Kids featured Merle Haggard, Emmylou Harris and the Oak Ridge Boys. Little Richard recorded "Shake It All About," an album of children's songs in his legendary rock 'n' roll style.

For the holidays, Disney Records introduced "The Music of Disney: A Legacy in Song"—three cassettes or compact discs and a 60-page book that present the history of Disney music in 78 songs. Writing for the *Los Angeles Times*, Chris Willman called the best-selling set "an essential collection ... a spoonful of sugar, 78 times over."

SOFTWARE AND EDUCATION

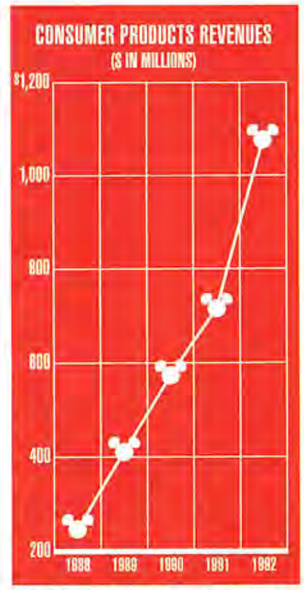
In computer software, licensees shipped their five millionth U.S. Disney videogame. Disney Software also published its own titles, including Stunt Island, a flight simulator developed with help from some of Hollywood's top directors and stunt coordinators.

Disney Educational Productions released 23 films, videos and filmstrips for classrooms around the world. Twelve titles in a new product line – the Disney ImaginActive Videodiscs – were released in December. The product enables instructors to play an entire program or freeze individual frames, according to their lesson plans.

INTERNATIONAL OPERATIONS

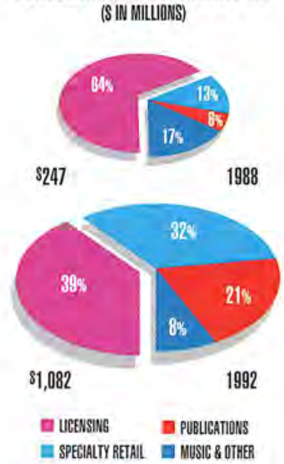
Despite the general economic downturn in Europe, Disney Consumer Products experienced record growth in the region. Consumers spent some $2.7 billion on Disney goods at retail.

A key focus was film merchandising. Hundreds of products were on shelves



The Consumer Products segment has grown a remarkable 45% per year on a compound annual basis over the last five years. This exceptional growth translates into more than a quadrupling of total segment revenues from 1988 to 1992.

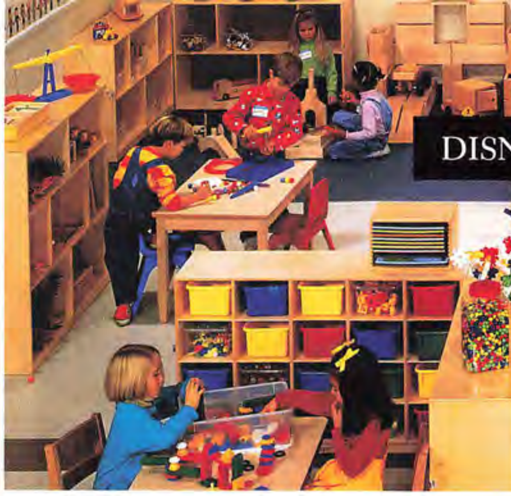
CONSUMER PRODUCTS REVENUE MIX
($ IN MILLIONS)

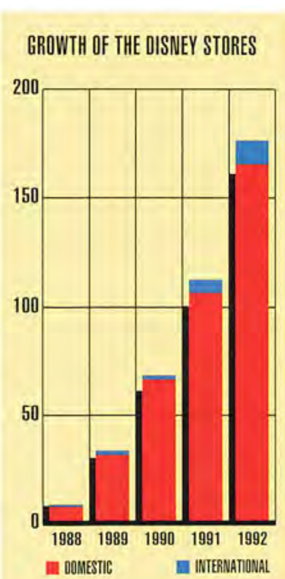


Disney's Consumer Products business is becoming increasingly diversified as the company expands into new areas, such as publishing and The Disney Stores, building on an already strong licensing tradition.

Right, playroom furniture and activity centers by Childcraft.

Below, Aladdin apparel by DonnKenny.





The number of Disney Stores is growing rapidly, with 64 new stores added in 1992. Their popularity overseas is evident with the success of the opening of Japan's first Disney Store in Yokohama.

for the opening of *Beauty and the Beast*, including 135 book and magazine titles.

European publications, which has increased sales 500 percent since 1987, continued its momentum. By fall, U.K. licensee Ladybird was selling a Disney book at a rate of one every two seconds; seven million copies in 1992. In France, the Disney/Hachette Presse joint venture produced 10 magazines and doubled advertising revenues.

Disney's longstanding agreement with Egmont (formerly Gutenberghus) was extended into the next century for books and magazines in Europe and the Commonwealth of Independent States. Egmont's German-language *Micky Maus* comic sold one million copies in a week during February, making it the highest-circulation Disney magazine in the world. Topolino in Italy set its own weekly record of 810,000 copies in July.

Two new book publishing operations, Walt Disney Italy's new imprint, Disney Libri, and Disney/Hachette Editions in France, each published almost 100 titles in the first year.

The European Creative Center in Paris produced several publications for the Euro Disney Resort. *Euro Disney-The Guide* has sold half a million copies in eight languages. *The Making of Euro Disney Resort*, a deluxe coffee table book, is due in 1993.

In Asia, income grew despite a recession in the key market of Japan. Australia experienced its worst recession in 60 years, but Consumer Products enjoyed record growth. *Dinosaurs* merchandise was particularly popular, thanks to an effective launch with the country's largest retailer.

To make the most of the dynamic Asia/Pacific region, Disney opened new consumer products offices in Taiwan, Thailand and New Zealand.

Disney reentered China in a limited way during 1992, licensing Vigor International of Hong Kong to establish Mickey's Corner retail areas in Chinese department stores. Ten such areas opened during the year. In summer, Egmont tested a Mickey Mouse magazine in China that may be launched through China's post office system in 1993.

The Disney Latin America office relocated to Miami from Mexico City in August. Licensing revenues in Latin America have nearly tripled since 1989, and 1992 concluded with more than 475 licensees in the region. Despite difficult economic conditions in Brazil, Disney revenues grew to record levels and *Dinosaurs* merchandise became a rage.

CATALOG MARKETING

Back in the United States, Disney's catalog marketing subsidiary, Childcraft Inc., emerged from the recession reporting sales increases for Just for Kids' costumes and licensed merchandise and Playclothes' moderately priced fashions for children. The Disney Catalog remained strong.

Childcraft Education Corp., a subsidiary providing age-appropriate furniture and equipment for the early childhood education and day-care market, increased production by almost 50 percent in its Lancaster, Pennsylvania, center and continued to gain market share in the rapidly growing industry.

HOLLYWOOD RECORDS

Popular music products issued by Hollywood Records this year included, left to right, CD's by rhythm-and-blues quintet Classic Example and soul group Edan; several albums by famed British group Queen shown in photo; and the sound track from *Sister Act*, featuring Whoopi Goldberg, Tribal Voice by Yothu Yindi, and Pardon Me by Poor Boys.

Hollywood Records began to hit its stride in its second full year of operation, more than tripling its revenue in 1992.

The "Classic Queen" album – comprising two decades of hits by the famed British group – shipped gold and was nearing double-platinum status by year's end. A second album, "Queen/ Greatest Hits," was re-released in September and is well on its way to platinum.

Hollywood Records' success with Queen has led to the acquisition of rights to two exciting Queen solo projects. Brian May's solo effort, already a hit in Europe, will be released by Hollywood Records in February. The label will also release in November Freddie Mercury's only available solo L.P., "The Great Pretender," a collection featuring his stunning vocals and the production work of several of the music world's most noted producers.

The quality of the label's new artist portfolio continued to improve. Among the newcomers:

• The Poorboys, a traditional, grassroots-oriented rock 'n' roll band. Its "Pardon Me" album captures the group's guitar-oriented sound.

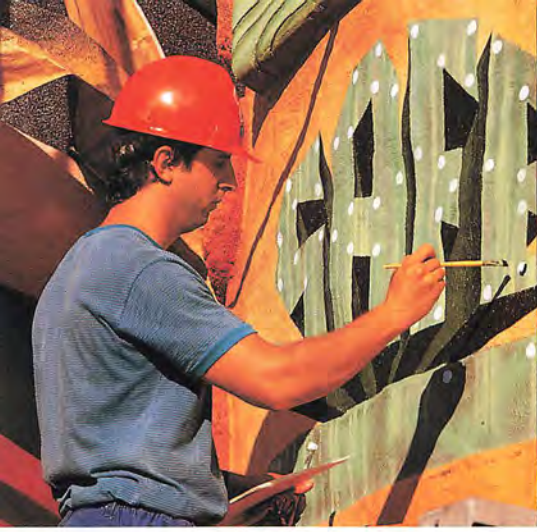
• Classic Example, on Boston International Records, a rhythm-and-blues quintet discovered by popular music impresario Maurice Starr. The group's single, "It's Alright," was on the soundtrack of the Warner Bros. movie *South Central*.

• Edan, a soulful fivesome fronted by Edan Everly, son of Don Everly of the Everly Brothers. It also features Frank Avalon, son of another famous musical father, on drums.

• T-Ride, a San Francisco group with rich vocal harmonies and explosive guitar work, demonstrating that there is still room for ingenuity in rock music.

Hollywood Records also scored a hit with the soundtrack to *Sister Act*, the Touchstone Pictures movie starring Whoopi Goldberg. The track also featured Etta James, Lady Soul, Dee Dee Sharp and Fontella Bass.

Peter Paterno,
president, Hollywood Records.



WALT
IMAGIN

Walt Disney Imagineering celebrated its 40th anniversary, and Imagineers rose to the occasion with some of the most remarkable accomplishments in the division's magical history.

As Disney's theme park master planning, creative development, design, engineering, production and project management arm, Imagineering completed Euro Disneyland, five years in the making. Working with contractors from eight countries, the division created a park that has operated superbly from day one.

The significance of WDI's accomplishment was not lost on Richard Corliss of *Time* magazine, who wrote, "At other parks, the rides are the attraction: with Disney, the park is the ride. And what a joyous ride it is, for those with open eyes and minds. As an old Franco-American hit had it, 'Ooh, la, la, la, c'est magnifique.'"

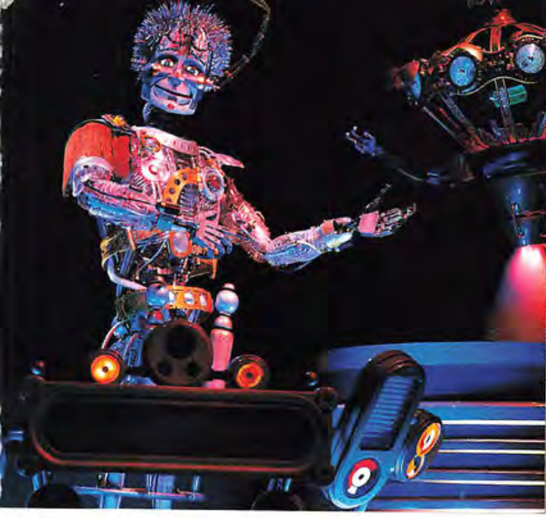
Nearly 1,000 Imagineers contributed to Euro Disneyland, from those in California to the hundreds who conquered language and cultural barriers to get the job done on French soil.

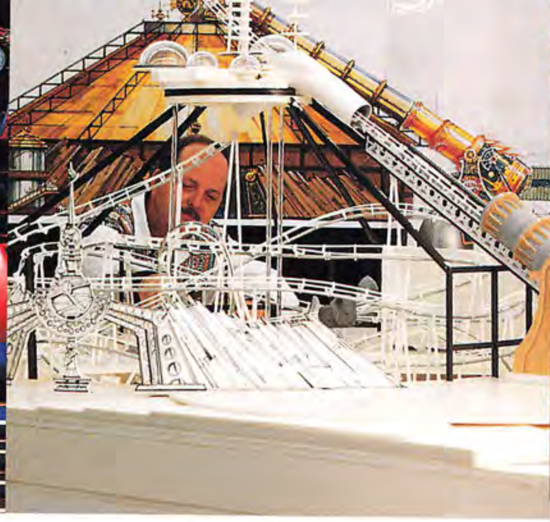
But, as WDI President Martin A. Sklar was quick to note: "We haven't had time to catch our breath. The way Disney has evolved, long before one project is completed, others begin."

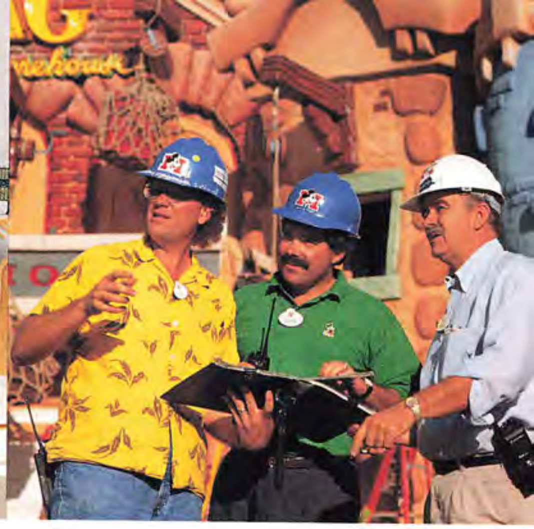
A case in point: Imagineers are already well into the development of Euro Disneyland's next major attraction, Discovery Mountain, inspired by Jules Verne's *From the Earth to the Moon*. By mid-decade, guests will careen through this stunning attraction in "space exploration vehicles."

Before 1992 ended, Imagineers had put the finishing touches on one Splash Mountain at Tokyo Disneyland and another at Walt Disney World's Magic Kingdom and started design work on a third themed water park at the Florida site.

They also began the process of transforming Tomorrowland







DISNEY

EERING

Clockwise, starting lower left opposite page: Scott Sinclair, show designer, and James Wassell, concept architect, with model of new Discoveryland facade for Walt Disney World; painter puts finishing touches on Mickey's Toontown sign at Disneyland; model for Tower of Terror hotel planned for Disney-MGM Studios Theme Park; construction starts on new Sunset Boulevard at Disney-MGM Studios; an Audio-Animatronics® figure is tested for a pre-show role at The Visionarium to open in April at Tokyo Disneyland; Doug Hartwell inspects model of Discovery Mountain, Euro Disneyland's next major attraction; and, left to right, Joe Lanzisero, David Todd and Dave Burkhart oversee Mickey's Toontown construction at Disneyland.

to reflect the future as imagined by machine-age visionaries – a galactic, science-fiction-inspired community inhabited by human beings, aliens and robots. Alien Encounter, featuring some of the most elaborate special effects and show systems ever created for a Disney theme park, will open in the mid-1990's as Tomorrowland's chilling centerpiece.

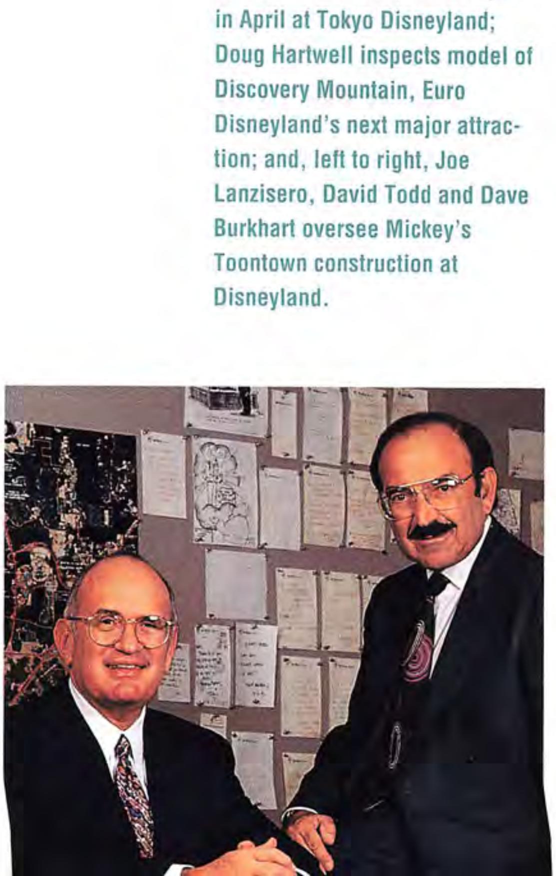
At Disneyland, Imagineers finished a colorful cartoon land, Mickey's Toontown, for an opening early in 1993. They plan another treat for 1994, when Roger Rabbit's Car Toon Spin will put guests in the driver's seat with Roger Rabbit and Lenny the Cab (Benny's cousin).

The Indiana Jones Adventures, to open in mid-decade, is another collaboration between Imagineering and George Lucas, who together created Star Tours. On this perilous expedition in Adventureland, a string of disasters will represent "a day in the life" of the world's most intrepid explorer, with guests along for the ride.

In April, Tokyo Disneyland will mark its 10th anniversary with the opening of The Visionarium in Tomorrowland. Featuring Circle-Vision 360, it will bring Audio-Animatronics® figures, three-dimensional animation and special effects to the 360-degree film medium. By summer, the Swiss Family Treehouse will be open in Adventureland.

In all, 1992 was a most productive year for a division whose first task was to get California's Disneyland onto – and then off of – the drawing boards 40 years ago.

"The opening of Euro Disney was a high point in my career," summed up Mickey Steinberg, WDI executive vice president. "But there's much more to come – and only Walt Disney Imagineering can do it."



Martin A. Sklar, president (right), Mickey Steinberg, executive vice president, Walt Disney Imagineering.

DIS DEVELOPMEN

Above, left to right: Festival Disney lights up the night at Euro Disney Resort; the elegant new clubhouse at Bonnet Creek Golf Course, Walt Disney World; swimmers can enjoy the indoor-outdoor pool at the Hotel New York, Euro Disney, while diners enjoy the elegance of the Rainbow Room at the same luxury hotel; the Clubhouse Vacation Villas at Walt Disney World is host to members of the Disney Vacation Club; and construction begins on the new Wilderness Lodge at the Florida resort.

Right, the Disneyland Hotel at Euro Disneyland, and far right, artist's rendering of the new animation building to be constructed on the Disney lot in Burbank, California.

Disney Development Company accelerated its pace in 1992, a year that may well serve as prologue for events extending far into the 21st Century.

Disney Development Company, which plans and develops new Disney real estate projects outside the theme park gates, was busy on several fronts. In California it worked on configurations for the proposed Disneyland Resort; in France it helped pursue the continued expansion of the Euro Disney Resort. And in Florida, it oversaw master planning for the build-out of Walt Disney World, a 20-year project. Further, it had enormous success in launching the Disney Vacation Club, which attracted more than 3,000 new members in its first year of operation.

FLORIDA REAL ESTATE DEVELOPMENT

Disney Development Company, private landowners and several government entities signed agreements that will lead to construction of the Osceola Parkway and the Southern Connector Extension, two major regional roadways serving Walt Disney World. In the process, they created what could be the largest public-private roadbuilding partnership in U.S. history.

Nearby, agencies and environmental leaders endorsed an innovative plan to restore and preserve the 8,500-acre Walker Ranch. This environmental showplace will be donated to The Nature Conservancy and used to mitigate environmental impact on Walt Disney World property over the next 20 years.

The town of Celebration moved a step nearer fruition in August when the Osceola County Commission approved the Development of Regional Impact

NEY
NT COMPANY

report. The expected adoption of several regulatory agreements would allow groundbreaking on this innovative new town this spring.

The Disney Institute has advanced to the planning stages. It combines the best of a Walt Disney resort vacation with participative programs and activities that encourage fun and discovery. Guests will choose from a variety of interactive experiences in such areas as animation, show business, health and fitness, landscape/interior design and the arts.

CALIFORNIA REAL ESTATE DEVELOPMENT

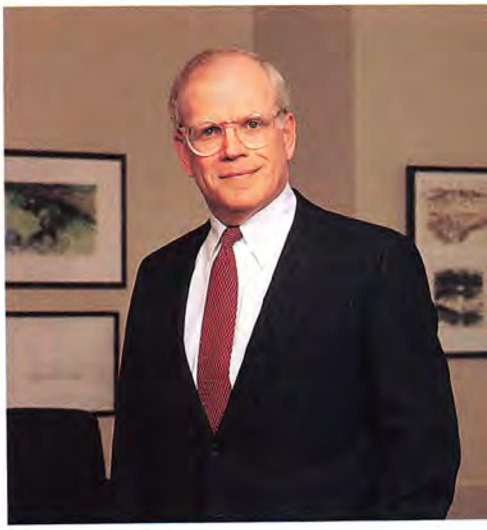
California's emphasis remained on the expansion of the theme parks, resort businesses and corporate facilities in Anaheim and Burbank.

The 470-acre Disneyland Resort, if built, would include a second theme park adjacent to Disneyland, as well as premier hotel, retail and entertainment facilities. The company continues to evaluate the project's economic feasibility as environmental review and public approval processes move forward. If Disney proceeds with the plan, The Disneyland Resort will be completed by the end of the decade.

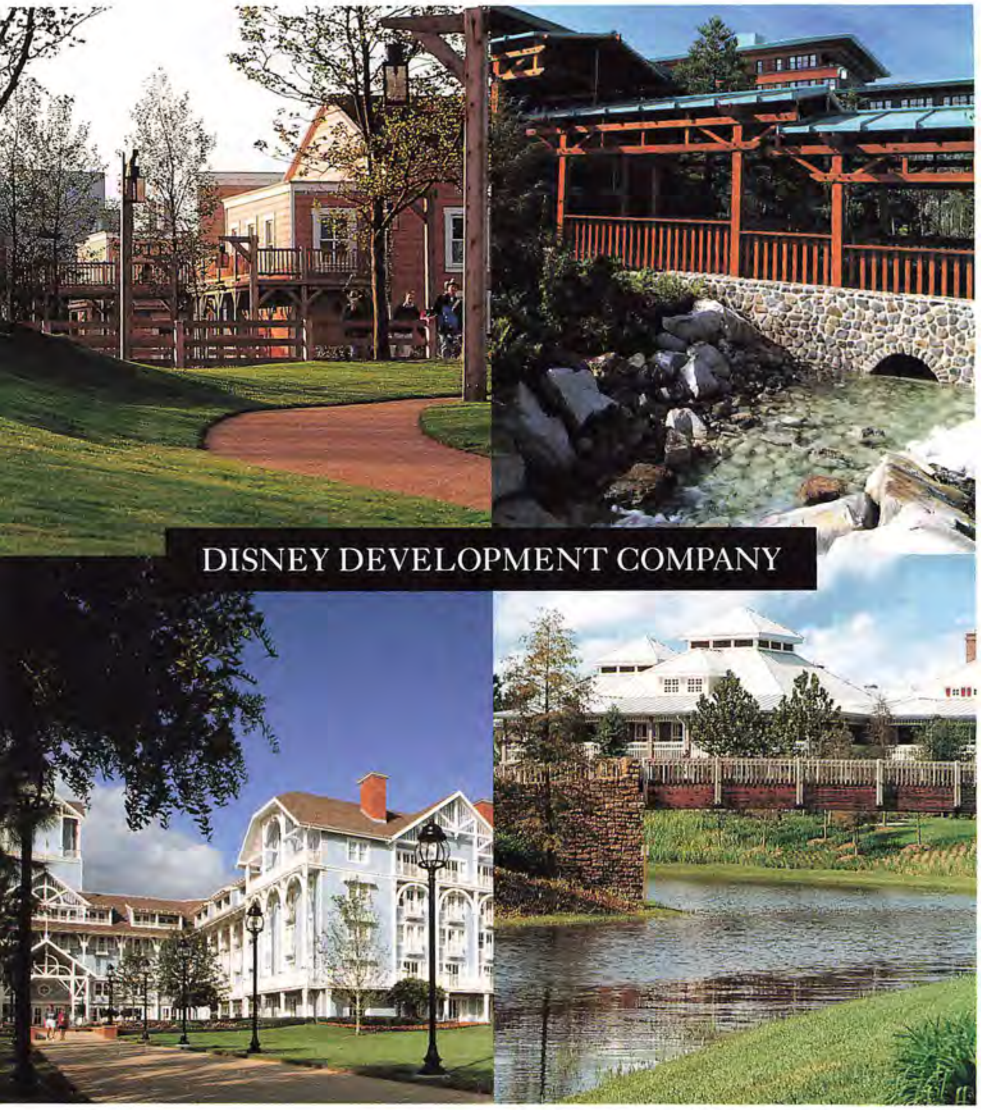
The City of Burbank has approved the master plan for the build-out of the 44-acre studio lot, enabling Disney to construct an additional two million square feet of production facilities and related office space over the next 25 years.

The first phase, already under way, will include a child care center – to open late in 1993 – and a 240,000-square-foot feature animation studio for completion in 1994. The 62,000-square-foot Property and Drapery Building will be ready for occupancy this April.

Peter S. Rummell, president, Disney Development Company.



DISNEY DEVELOPMENT COMPANY



Clockwise from upper left: Walkway and buildings at Cheyenne Hotel, Euro Disney Resort; covered walkway skirts brook at Sequoia Hotel, Euro Disney Resort; Dixie Landing Resort opened at Walt Disney World in 1992; and a view of the Beach Club Resort, Walt Disney World.

EURO DISNEY DEVELOPMENT

April 12 marked the official opening of six spectacular resort hotels at Euro Disney, reflecting some of the Development Company's finest efforts to date. With 5,200 rooms and 12 restaurants, this project represents the largest simultaneous construction and opening of hotel facilities in the world.

Camp Davy Crockett also made its debut, its 500 rustic log cabins nestled in the woods adjacent to Euro Disney. In addition, the Festival Disney Entertainment Center, complete with shops, restaurants and Buffalo Bill's Wild West Show, welcomed its first guests.

The 27-hole championship golf course features an elegant clubhouse and a Mickey-shaped practice green. Elsewhere on the property, DDC provided 700 new apartment units for Euro Disney cast members. All told, the company's European development teams invested four years of work and $1.2 billion in helping Euro Disney open its doors.

DISNEY VACATION CLUB

The Disney Vacation Club enables a member to purchase a real estate interest in vacation accommodations at the Walt Disney World Resort. A unique vacation point system provides members the flexibility to choose the time of year, length of stay and accommodation type best suited to their vacation needs. These points can be used to make reservations at the Disney Vacation Club or at more than 100 other facilities through Resort Condominiums International, Inc., the world's largest company of its kind.

The company plans to build another 175 vacation homes, doubling the size of the resort.

The club has recently begun to allow members exchange privileges for stays at certain Walt Disney World hotels. Later in 1993, the program will allow for exchanges with the Disneyland Hotel in Anaheim and hotels at Euro Disney.

Environmental Affairs

Background, natural gas fuels many of the vehicles at Disneyland; upper left, funds will be donated to plant trees in an African rainforest to replace those used in printing *Panther Dream: A Story of the African Rainforest;* right, trash is recycled at Disneyland.

Disney continued to make substantial progress toward its environmental goals in 1992 under the leadership of Kym Murphy, corporate vice president of environmental policy.

"'Green' has obviously become one of Disney's favorite colors," he noted, pointing to advances in water and energy conservation, recycling and the increased use of alternative fuels. The company-wide effort is called Environmentality.

And "company-wide" is no exaggeration. In fact, with the opening of Euro Disney near Paris, Environmentality objectives have become international in scope. The owners of Tokyo Disneyland also have shown strong interest in making Environmentality part of their daily operations.

Recycling continues to flourish throughout Disney. For example, more than 17,000 specialized receptacles have been distributed to facilitate office paper recycling. Also, a new 30,000-square-foot materials recovery facility at Walt Disney World helps intercept, segregate and recycle the resort's waste. All told, in 1992 the company recycled nearly 65 million pounds of materials in its various locations, including glass, aluminum, paper, cardboard and lumber. In recognition of efforts such as these, Disneyland recently received the Teddy Roosevelt Conservation Award.

Also at Walt Disney World, an environmentally clean, efficient cogeneration power plant now produces

some 35 percent of the resort's needs. The system utilizes a General Electric jet engine similar to those that power Boeing 747 aircraft, and the waste heat is captured to produce steam.

Engineers in Florida sharply improved the efficiency of the Magic Kingdom's air conditioning and heating systems. Cooling energy was reduced by 20 percent and heating energy by 41 percent – enough electricity to operate 3,000 American homes.

In California, Disney became the first Hollywood studio to join the Environmental Protection Agency's Green Lights Program, which emphasizes the use of energy-conservative lighting systems.

Alternative fuels continue to provide clean-burning power to scores of vehicles throughout the company. Disneyland installed one of California's first compressed natural gas fueling stations, and other sites continue to encourage the use of propane, natural gas and electricity for service vehicles. Walt Disney Imagineering and Disney Development Company are currently evaluating fuel cell technology for future application. Fuel cells are capable of producing energy with extreme efficiency and minimal emissions (pollutants).

An emphasis on environmentally friendly products and services has affected thousands of purchases throughout Disney. This is reflected in the purchase of more than $16 million worth

Top to bottom: Frank Wells congratulates Burbank winners of "Smog Days of Summer" Sweepstakes who found alternate ways to commute to and from work; electric car parking facilities were recently installed at Disney Imagineering; bottom two photos, a $1 million program at Walt Disney World uses reverse osmosis to purify waste water which can be returned to the site's many waterways.

Clockwise from top: two photos show the Materials Recovery Facility at Walt Disney World, where aluminum cans, glass, plastic and paper are sorted and recycled; recycling collection receptacles are placed at strategic locations; compost management is a major endeavor at Walt Disney World, where a multimillion-dollar facility is nearing completion.

Background both pages: Double-decker bus at Walt Disney World, like many other vehicles, is powered by natural gas.

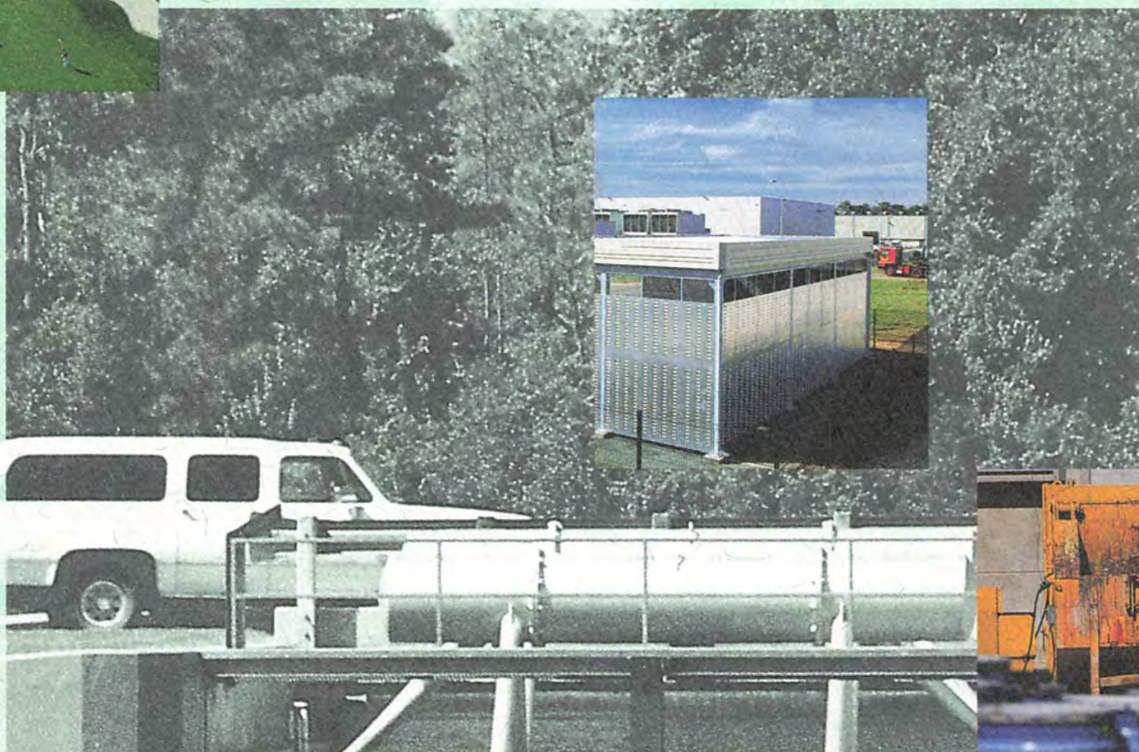
of products containing recycled materials, including the paper used to produce this Annual Report. This attitude has encouraged suppliers to provide environmentally sound products as Disney pursues its goals of reduce, reuse and recycle.

Composting efforts at Walt Disney World continue to expand. A multimillion-dollar facility is nearing completion with the installation of a 120,000-square-foot roof that will make the composting process easier to control. Currently, all of the resort's landscape waste and sewage sludge is converted into 16,000 cubic yards of nutrient-rich soil amendment each year. Food waste will be added to this process in the near future.

Disney carefully monitors and minimizes the use of all hazardous materials. For example, the company has frequently been able to substitute environmentally friendly products and processes such as the citrus-based cleaning systems that eliminate the use of potentially toxic chemical solvents.

A $1-million program at Walt Disney World using reverse osmosis could turn waste water into high-purity water for the resort's lakes. Elsewhere, the company continues to restrict water usage to 60 percent of former levels.

At Walt Disney Imagineering, the Environmental Science and Technology Group has pioneered several innovative techniques for environmental resource management. Among them: tissue



culture protocols for endangered plant species and research to help reduce the company's dependence on chemical pest control.

Disney publishing operations continue to inform readers on a variety of environmental issues through juvenile and adult books and such magazines as *Discover*, *FamilyFun* and *Disney Adventures*. The company uses recycled paper in many book covers, envelopes, brochures and cartons.

Film and television production efforts are becoming greener by the day. In fact, "Environmentality" has become part of the studios' standard operating procedures. As a consequence, the company has become an industry leader in the development of environmentally conscious production techniques. This year Walt Disney Studios proudly accepted the Environmental Media Association's Television Episodic Comedy award for *Dinosaurs*', "Power Erupts."

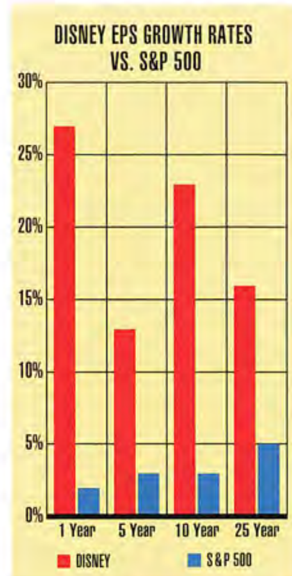
Walt Disney once said: "When we consider a new project, we really study it – not just the surface idea but everything about it. We have confidence in our ability to do it right."

As Kym Murphy sees it, Walt's words from decades ago might well be applied to the company's environmental efforts today.

Left to right, the new Eagle Pines and Osprey Ridge Golf Courses at Walt Disney World were designed to incorporate wetlands into the golf environment without affecting nature; endangered species research pays off as Chester, the manatee born at the Living Seas, has gained approximately 530 pounds in his first year; hazardous waste storage area at Euro Disneyland; and paint can compactor at Euro Disneyland.

Financial Review

Richard D. Nanula,
senior vice president and
chief financial officer.



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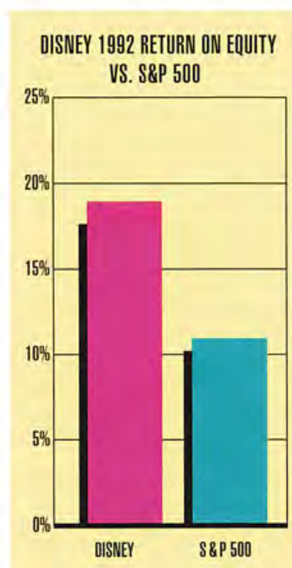
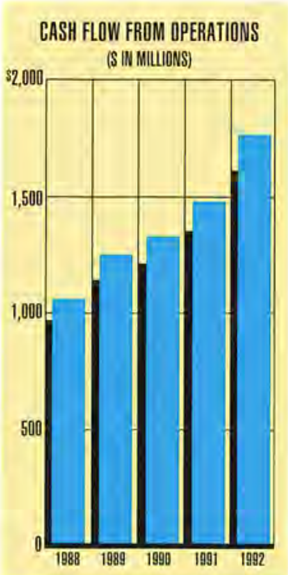


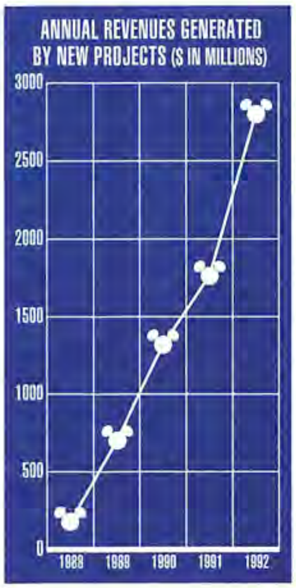
Strategic and Financial Objectives

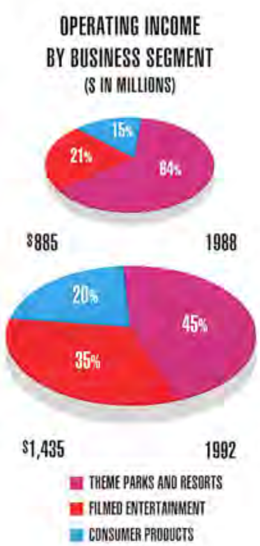
The Walt Disney Company has several strategic and financial objectives that guide management decision-making in creating value for its shareholders. The overriding objective is to sustain Disney as the world's premier entertainment company from a creative, strategic and financial standpoint.

The Company's financial objectives are to achieve 20% earnings growth over future five-year periods, with 1991 as the base year, and through profitable reinvestment of cash flow, 20% annual return on stockholders' equity. In 1992, The Walt Disney Company's earnings per share increased 27% versus 1991. Over the last 25 years, the Company has shown superior compound annual earnings growth when compared to companies in the Standard & Poor's 500.

The Walt Disney Company posted a 19% return on equity in 1992. While just shy of its stated objective, largely because of a conservative capital structure and a doubling of Disney's total stockholders' equity over the last five years to $4.7 billion, the Company's return on equity was substantially better than that of the Standard & Poor's 500.







Another objective is to maintain and build upon the integrity of the Disney name and franchise. The Disney "brand" is an asset of considerable value which the Company continues to enhance and protect.

Finally, it is the Company's goal to accomplish all of the above while preserving the basic Disney values–quality, imagination, guest service–which have enabled The Walt Disney Company to entertain billions of people around the world for decades.

Cash Flow and Capital Spending

While showing strong growth in revenues and profit, The Walt Disney Company has also generated high levels of cash flow from operations. Its five-year annualized rate of cash flow growth was 17%, and a cumulative total of $7 billion in cash has been generated by Disney's operations over the last five years.

The generation of substantial cash flow is significant as it allows the Company to continue to maintain and refurbish Disney's existing assets, and to invest in various long-term capital projects to build future shareholder value. Disney's level of cash flow also provides for the payment of dividends, as well as the financial flexibility for future acquisitions or share repurchases.

In 1992, Disney's cash flow from operations reached a record-level $1.8 billion, of which approximately $103 million, or just 6%, was invested to maintain existing assets. The remaining $1,047 million of total 1992 capital spending of $1,150 million was invested in new projects expected to provide future growth and profits over the coming years. As the bulk of Disney's capital spending is discretionary, the Company has generated substantial free cash flow in each of the last five years.

All new Disney projects are carefully analyzed and are expected to make a positive contribution on a net present value basis, generating an attractive internal rate of return on invested capital. New projects developed since 1988, such as the hotel buildout at Walt Disney World Resorts, Disney Vacation Club, the self-distribution of home video product, The Disney Stores, and book and magazine publishing, contributed total revenues of over $2.8 billion, or over 37% of fiscal 1992 revenues, a substantial increase from just $180 million five years ago.

From time to time The Walt Disney Company uses its capital to repurchase Disney stock, thereby creating additional shareholder value. Since the adoption of a share repurchase program by the Board of Directors in 1985, Disney has repurchased approximately 52 million shares at an aggregate cost of $780 million, an average price of $15 per share. If valued on November 20, 1992 at the New York Stock Exchange closing price, these repurchased shares would have a market valuation of approximately $2.2 billion.

Balance

In addition to growing rapidly over the last five years The Walt Disney Company has become a more financially balanced company. Five years ago, the vast majority of the Company's operating income came from Disney's Theme Parks and Resorts segment, with Filmed Entertainment and Consumer Products combined contributing about one third of Disney's total operating income. By 1992, however, Theme Parks and Resorts contributed less than half of the Company's total operating income, while Filmed Entertainment and Consumer Products combined provided 55%. The Walt Disney Company's improved balance now delivers to shareholders a more diversified mix of earnings, thereby reducing the dependence on any one line of business for the Company's financial success.

In fact, 1992 is a case in point. In a year with a continuing weak economy and shut-down costs from the Queen Mary, Disney's Theme Parks and Resorts operating income grew by a respectable 18%. However, due to the Company's more balanced composition, the spectacular growth of 60% in Filmed Entertainment and 23% in Consumer Products was sufficient to propel The Walt Disney Company's consolidated operating income higher by 31%.

Margins

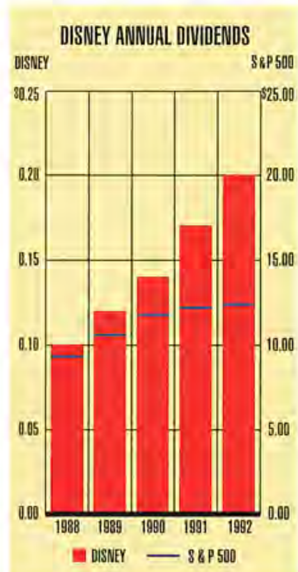
Further, within each of The Walt Disney Company's three business segments, changing composition has created better balance. The financial impact of this balance is that, while The

Walt Disney Company's earnings have grown substantially and each business delivers a level of profitability consistently higher than their respective industry's average, segment margins have compressed somewhat because these new lines of business have lower margins than Disney's original businesses. For example, each segment's original high-margin line of business, such as the theme parks, classic animated library product and consumer product licensing, has continued to grow and prosper. At the same time, the Company has rapidly expanded into other profitable lines of business having traditionally lower margins, such as hotels, live action films, the Disney Vacation Club, network television, and The Disney Stores. The net result of this growth and changing mix of business is that each of Disney's business segments has experienced overall margin compression.

The Company expects that, as it continues to aggressively seek growth opportunities, its segment margins may continue to decline.

Recent Financings

In addition to Disney's aggressive growth strategies, innovative financings create value for the Company by reducing its cost of capital and the volatility of its earnings. Consistent with the philosophy of allowing partners to share in the upside from film successes, while minimizing downside risk, Disney closed its most recent film financing on October 20, 1992. This transaction raised $400 million in proceeds from an on-balance sheet, seven-year debt transaction in a combined U.S. private placement and Eurobond offering. The Company pays a minimum coupon of 2.9% on the bonds. Additional interest may be paid as the yield on the bonds is indexed to the revenues from certain films scheduled for release in 1993 and 1994. Since 1985, the Company has raised nearly $2 billion in funds for film financing.



Debt Rating

Currently, Disney's long-term Moody's/Standard & Poor's senior unsecured debt ratings are Aa3/Aa-. Over the long-term, Disney's objective is to maintain a credit rating of A or better. With this in mind, the Company will continue to strive to maintain conservative levels of leverage in relation to its ability to service its debt. The Walt Disney Company's debt to total capitalization ratio of 46% at September 30, 1992 makes it one of the most conservatively leveraged of the Dow 30 companies. Therefore, the Company's substantial unutilized debt capacity allows it the financial flexibility to consider future business opportunities while remaining insulated from the volatility usually associated with high levels of debt.

Shareholder Value

As a result of the Company's superior financial performance, substantial cash flow, investment in new projects, and innovative financings, long-term investors in The Walt Disney Company stock have experienced returns far exceeding those generated by the market.

In each year since 1988, The Walt Disney Company's quarterly dividend has increased 20% or more. In January, 1992, the Board of Directors again voted to increase your Company's dividend by 20%. Disney's dividend growth rate has been nearly three times greater than that of the Standard & Poor's 500 over the last five years.

On September 30, 1992, your Company's stock closed at $36¼ on the New York Stock Exchange, an increase of over 27% from last year's closing price. The Standard & Poor's 500 and the Dow Jones Industrial Average each grew just 8% over the same time frame. In fact, gains in Disney stock in the last year were responsible for 26% of the increase in the entire Dow Jones Industrial Average.

The four-for-one stock split completed in May, 1992 made The Walt Disney Company's stock more accessible on a per share basis to more shareholders. This marks the sixth split in your Company's history. If you had purchased just one share of Disney stock at $25 at the Company's initial public offering in 1940, as of September 30, 1992 you would have over 834 shares with a market value of $30,247. In fact, $1,000 invested in Disney stock ten years ago would have been worth $11,788 at the close of this fiscal year, representing a 28% annualized return versus 17% for Standard & Poor's 500 over the same time frame.

OPERATIONS

1992 vs. 1991

In 1992, the Company generated a record $7.5 billion in revenues, an increase of 23% over 1991. The increase was driven by strong performance in all three of the Company's business segments: successful home video and theatrical releases, higher theme park attendance and resort occupancy and increased merchandise licensing. Foreign revenues of $1.5 billion accounted for 19% of total revenues compared to 21% or $1.3 billion in 1991.

Operating income increased 31% to $1.4 billion from $1.1 billion in 1991. The increase resulted primarily from the success of home video release of library product and strong performances from certain theatrical releases. Consumer Products operating income grew as a result of continued demand for Disney licensed products in worldwide markets and the expansion of the Company's publishing business in Europe. Theme Parks and Resorts results reflected increased park attendance and sharply higher occupied room nights at the Florida resorts.

Net income for 1992 increased to $816.7 million or 28% over 1991 while earnings per share of $1.52 increased 27% over the $1.20 reported in 1991. (EPS amounts reflect the Company's four-for-one stock split in April 1992. See Note 9 to Consolidated Financial Statements.)

1991 vs. 1990

Worldwide revenues increased in 1991 by 6% to $6.1 billion from 1990 levels. The increase resulted primarily from greater activity in the home video and television businesses and expansion of The Disney Stores, together with the start-up of several new initiatives within the Consumer Products segment. The increase in revenues was partially offset by the impact of decreased park attendance. Additionally, theatrical revenues declined from 1990 levels. Revenues of $1.3 billion from foreign operations in all business segments represented 21% of total revenues, an increase of 4 percentage points over 1990.

Operating income for 1991 fell by 18% to $1.1 billion from $1.3 billion in 1990. The decrease was caused by several factors discussed in the individual business segments below. The decline in operating income generally reflected lower levels of domestic travel and tourism caused by the economic recession.

Net income for 1991 decreased by 23% to $636.6 million from $824.0 million in 1990 and earnings per share fell 20% from $1.50 to $1.20. The decrease in net income was impacted by lower net interest and investment income and the start-up costs of Hollywood Records. Earnings per share benefited from a lower number of shares outstanding due to share repurchases made under the Company's repurchase program. (See Note 9 to Consolidated Financial Statements.)

Theme Parks and Resorts

The Company's Theme Parks and Resorts segment includes results from the Company's theme park and resorts in Florida and California and the Tokyo Disneyland park. Results from the Company's investment in Euro Disney are reported separately below.

1992 vs. 1991

Revenues of $3.3 billion increased 18% from $2.8 billion in 1991. Results reflected increased theme park attendance and higher per capita spending primarily due to price increases. An increase in occupied room nights at the Florida resorts, primarily due to additional capacity from the opening of the 1,008-room Port Orleans resort in May 1991 and the 2,048-room Dixie Landings resort in February 1992, also contributed to the increase in revenues.

Operating income increased 18% to $644.0 million from the $546.6 million achieved in the prior year. Increased attendance, driven by the 20th Anniversary Celebration at the Magic Kingdom in the Walt Disney World Resort, sharply higher occupied room nights and increased resort occupancy rates contributed to the increase in 1992. Partially offsetting these results were higher design and development costs. Additionally, results reflected a charge relating to the termination of the lease on the Queen Mary hotel and attraction and expenses for the 20th Anniversary Celebration.

Attendance at Tokyo Disneyland did not change significantly from 1991 levels.

1991 vs. 1990

Revenues for 1991 of $2.8 billion were 5% lower than 1990. This decrease was primarily attributable to lower theme park attendance caused by the economic recession and resulting weakness in domestic travel and tourism. The decline in attendance was more severe at Walt Disney World than at Disneyland Park due in part to the greater reliance on tourism versus local resident attendance. Decreased attendance revenues were partially offset by higher per capita spending, primarily due to price increases.

Operating income of $546.6 million in 1991 was 32% lower than the prior year. The total number of occupied rooms at the resorts in 1991 was slightly higher compared to 1990, but the increased capacity resulting from the openings of the Yacht Club and Beach Club resort hotels and the Port Orleans resort caused overall occupancy rates to fall. Revenues generated by the increase in the total number of occupied

rooms were insufficient to cover all incremental costs of the additional room capacity.

Attendance at Tokyo Disneyland reached record levels in 1991 for the seventh consecutive year.

Increased design and development costs incurred to support future expansion of the theme parks and resorts contributed to lower operating income in this segment.

Filmed Entertainment

1992 vs. 1991

Revenues of $3.1 billion increased 20% from $2.6 billion in 1991, reflecting the worldwide success of the Company's animated products in home video, theatrical and television markets. Significant home video sell-through releases in 1992 included *Fantasia* worldwide and *101 Dalmatians*, *The Rescuers* and *The Great Mouse Detective* domestically. Theatrical revenues in 1992 were driven by the worldwide releases of *Beauty and the Beast*, *Father of the Bride* and *The Hand That Rocks the Cradle*. Also included were the successful releases of *Sister Act* domestically and *Rescuers Down Under* and *Snow White* internationally. Domestic television revenues reflected the continued growth in network television and syndication.

Operating income increased 60% to $508.3 million from the $318.1 million reported in the prior year. Results benefited primarily from the success of the home video release of the library titles *Fantasia* and *101 Dalmatians*. Library titles generate higher operating margins because most production and distribution costs have already been amortized. Improved domestic theatrical results reflected the success of *Beauty and the Beast*, *Sister Act* and *The Hand That Rocks the Cradle*. Higher domestic syndication television sales and continuing subscriber growth at The Disney Channel also contributed to the growth in operating income. Partially offsetting these results were the weak domestic theatrical performances of *Newsies*, *Billy Bathgate* and certain other live-action releases.

1991 vs. 1990

Revenues of $2.6 billion in 1991 were 15% higher than the $2.3 billion generated in 1990 and reflected growth in both the international and domestic home video markets. Domestic theatrical revenues declined in 1991, reflecting the weak performance of several of the Company's live-action films.

Domestic home video releases included *Jungle Book*, *Robin Hood*, *Pretty Woman*, *Rescuers Down Under* and *Dick Tracy*. Domestic television revenues reflected the continued growth of The Disney Channel along with increased activity in network television, pay television and syndication.

Films making a significant contribution to domestic theatrical revenues included *What About Bob?*, *Three Men and a Little Lady* and the re-release of *101 Dalmatians*. International theatrical releases included *Pretty Woman*, *The Little Mermaid* and *Three Men and a Little Lady*.

As a result of the Company's expanded international business, foreign revenues increased from 29% in 1990 to 36% of total Filmed Entertainment segment revenues in 1991. The increase was largely a result of higher sales of home video releases internationally, together with increased activity in the foreign theatrical and international television syndication markets.

Operating income of $318.1 million was 2% higher than the $313.0 million reported in 1990. Results benefited primarily from the growth in home video and television distribution. The highly successful domestic home video releases of the library titles *Jungle Book* and *Robin Hood* together with the theatrical re-release of *101 Dalmatians* had a favorable impact on operating income. Partially offsetting these results were the weak domestic theatrical performances of *True Identity*, *The Marrying Man*, *Run*, *Scenes From a Mall* and certain other live-action releases.

Consumer Products

1992 vs. 1991

Revenues of $1.1 billion increased 49% from $724.0 million in 1991. At September 30, 1992, there were 177 Disney Stores compared to 113 a year earlier. The expansion of The Disney Stores, together with the continued strength of domestic licensed product sales in apparel, toys and publications and growth in European businesses, contributed significantly to the increase in worldwide revenues.

Operating income increased 23% to $283.0 million from the $229.8 million generated in the prior year. Strong sales of *The Little Mermaid*, *101 Dalmatians* and *Beauty and the Beast* merchandise contributed to the growth in operating income in 1992. As expected, operating margins declined, reflecting further expansion into lower margin businesses of direct publishing, catalog merchandising and The Disney Stores. Start-up costs associated with new initiatives in publishing negatively impacted results.

The contribution made by the Company's overseas businesses remained consistent with 71% of operating income coming from outside the United States and Canada as compared to 73% in 1991.

1991 vs. 1990

Revenues of $724.0 million were 26% higher than the $573.8 million generated in 1990. The expansion of The Disney Stores from 69 to 113 in 1991, combined with increased revenues in the Asia/Pacific region and Europe and new publishing initiatives contributed to the growth in revenue. Results in Europe and the Asia/Pacific region also benefited from favorable foreign exchange rates.

Operating income of $229.8 million was 3% greater than the $223.2 million generated in the prior year. Operating margins in 1991 were lower than in 1990 due to the shifting of business mix into lower margin businesses. Start-up costs associated with new initiatives in publishing, computer software and audio

entertainment negatively impacted results, together with the weak performance of the catalog business. Strong sales of *The Little Mermaid* merchandise contributed to the growth in operating income in 1991.

Evident in the Company's results was the increasing contribution made by its overseas businesses. In 1991, 73% of operating income came from outside the United States and Canada, compared to 62% in 1990.

Corporate Activities

General and Administrative Expenses

1992 vs. 1991

General and administrative expenses for 1992 were $148.2 million, representing an 8% decrease from the 1991 total of $160.8 million. The decrease reflected reduced operating losses at Hollywood Records due to the success of the *Queen* catalog.

1991 vs. 1990

General and administrative expenses of $160.8 million increased 16% over the prior year, and reflected the start-up costs and operating losses generated by Hollywood Records.

Investment and Interest Income and Interest Expense

1992 vs. 1991

Total investment and interest income for 1992 was $130.3 million, representing a 9% increase over the 1991 total of $119.4 million. The increase reflected the favorable impact of interest rate swaps and leveraged leasing activities in the current year, partially offset by prior year gains on sales of certain marketable securities.

Interest expense increased 21% to $126.8 million in 1992, primarily due to increased average borrowings. The average borrowing rate increased slightly from 6.5% in 1991 to 6.6% in 1992. Capitalized interest, which reduces interest expense, decreased in 1992 due to the lower average balances on projects in progress, also contributing to the higher level of interest expense.

1991 vs. 1990

Investment and interest income for 1991 was $119.4 million, which was 48% higher than 1990. The increase was primarily attributable to the gain on sales of certain marketable securities. An increase in the average balances of interest-bearing investments, together with an increase in the average interest rate, also contributed to the higher income in 1991.

Total interest expense for 1991 was $105.0 million, which was 144% higher than 1990. This resulted from higher average borrowing balances in 1991 compared to 1990. The average borrowing rate decreased from 6.9% in 1990 to 6.5% in 1991, partially mitigating the effects of the higher borrowing balances. Capitalized interest was lower in 1991 than in 1990 due to the lower average balances in projects in progress.

Investment in Euro Disney

The Euro Disney resort, under construction since 1987, commenced operations on April 12, 1992. The Company's investment in Euro Disney contributed income of $11.2 million for the year. Although Euro Disney S.C.A. incurred a loss for fiscal 1992, the Company's 49% equity share of the net loss was offset by cash royalties and gain amortization related to its Euro Disney investment. (See Note 4 to Consolidated Financial Statements.) Income from the investment in 1991 and 1990 totalled $63.8 million and $86.4 million respectively, representing the Company's equity share of interest earnings and gain amortization.

In 1993, the Company expects the overall contribution of Euro Disney to be negative although it is not anticipated to have a material impact on the Company's annual results.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates significant liquidity from operations. Cash flow from operating activities amounted to $1.8 billion in 1992.

In 1992, the Company used $544.4 million of funds to further develop the theme parks and new resort properties, primarily the Dixie Landings resort and the Splash Mountain attraction at Walt Disney World and the *Fantasmic!* attraction at Disneyland. In addition, the Company used $606.0 million of funds in development and production of film and television properties.

The Company's financial condition remains strong and the Company has the resources necessary to meet future anticipated funding requirements. In addition to cash flow from operations, the Company has sufficient unused debt capacity, including a $310 million unused line of credit, to finance its ongoing capital investment programs and to take advantage of internal and external development and acquisition opportunities. The Company continues to explore potential sources of additional funding, both domestically and internationally, as opportunities arise.

In order to reduce the Company's exposure to risks arising from foreign currency fluctuations and its variable interest rate debt, management has adopted an extensive hedging program and it continually monitors the status of its hedging activities. As a result of these programs, the Company actively manages its currency and interest rate risk. (See Notes 1, 2 and 5 to Consolidated Financial Statements.)

Consolidated Statement of Income

(In millions, except per share data)

Year ended September 30	1992	1991	1990
Revenues			
Theme parks and resorts	$3,306.9	$2,794.3	$2,933.2
Filmed entertainment	3,115.2	2,593.7	2,250.3
Consumer products	1,081.9	724.0	573.8
	7,504.0	6,112.0	5,757.3
Costs and Expenses			
Theme parks and resorts	2,662.9	2,247.7	2,130.3
Filmed entertainment	2,606.9	2,275.6	1,937.3
Consumer products	798.9	494.2	350.6
	6,068.7	5,017.5	4,418.2
Operating Income			
Theme parks and resorts	644.0	546.6	802.9
Filmed entertainment	508.3	318.1	313.0
Consumer products	283.0	229.8	223.2
	1,435.3	1,094.5	1,339.1
Corporate Activities			
General and administrative expenses	148.2	160.8	138.5
Interest expense	126.8	105.0	43.1
Investment and interest income	(130.3)	(119.4)	(80.8)
	144.7	146.4	100.8
Income from investment in Euro Disney	11.2	63.8	86.4
Income Before Income Taxes	1,301.8	1,011.9	1,324.7
Income taxes	485.1	375.3	500.7
Net Income	$ 816.7	$ 636.6	$ 824.0
Earnings Per Share	$ 1.52	$ 1.20	$ 1.50
Average Number of Common and Common Equivalent Shares Outstanding	536.8	532.7	549.0

See Notes to Consolidated Financial Statements

Consolidated Balance Sheet

(In millions)

September 30	1992	1991
Assets		
Cash and cash equivalents	$ 764.8	$ 886.1
Investments	1,407.0	782.4
Receivables	1,298.9	1,128.2
Merchandise inventories	462.8	311.6
Film and television costs	760.5	596.9
Theme parks, resorts and other property, at cost		
Attractions, buildings and equipment	6,285.3	5,628.1
Accumulated depreciation	(1,999.6)	(1,667.8)
	4,285.7	3,960.3
Projects in progress	440.1	540.9
Land	72.9	70.4
	4,798.7	4,571.6
Other assets	1,369.0	1,151.7
	$10,861.7	$9,428.5
Liabilities and Stockholders' Equity		
Accounts payable and other accrued liabilities	$ 1,791.9	$1,433.8
Income taxes payable	381.0	296.2
Borrowings	2,222.4	2,213.8
Unearned royalty and other advances	872.8	859.5
Deferred income taxes	889.0	753.9
Stockholders' equity		
Preferred stock, $.10 par value		
Authorized–100.0 and 5.0 million shares		
Issued–none		
Common stock, $.025 par value		
Authorized–1,200 million shares		
Issued–552.2 million shares and 548.6 million shares	619.9	549.7
Retained earnings	4,661.9	3,950.5
Cumulative translation adjustments	86.9	35.2
	5,368.7	4,535.4
Less treasury stock, at cost–27.8 million shares	664.1	664.1
	4,704.6	3,871.3
	$10,861.7	$9,428.5

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

(In millions)

Year ended September 30	1992	1991	1990
Cash Provided by Operations Before Income Taxes	$2,132.0	$1,757.9	$1,780.3
Income taxes paid	(293.9)	(261.2)	(421.4)
	1,838.1	1,496.7	1,358.9
Investing Activities			
Theme parks, resorts and other property, net	544.4	924.6	716.3
Film and television costs	606.0	486.8	533.0
Euro Disney investment and advances	68.3	50.6	(135.1)
Investments, net	624.5	194.3	(74.2)
Other	80.5	70.0	141.9
	1,923.7	1,726.3	1,181.9
Financing Activities			
Borrowings	182.8	641.9	965.0
Reduction of borrowings	(184.6)	(124.6)	(255.9)
Repurchases of common stock	–	(181.1)	(427.5)
Cash dividends	(105.3)	(87.2)	(74.1)
Other	71.4	46.9	54.5
	(35.7)	295.9	262.0
Increase (Decrease) in Cash and Cash Equivalents	(121.3)	66.3	439.0
Cash and Cash Equivalents, Beginning of Year	886.1	819.8	380.8
Cash and Cash Equivalents, End of Year	$ 764.8	$ 886.1	$ 819.8

The difference between Income Before Income Taxes as shown on the Consolidated Statement of Income and Cash Provided By Operations Before Income Taxes is explained as follows.

	1992	1991	1990
Income Before Income Taxes	$1,301.8	$1,011.9	$1,324.7
Charges to Income Not Requiring Cash Outlays			
Depreciation	317.3	263.5	203.1
Amortization of film and television costs	442.3	531.0	335.2
Other	155.4	29.7	(36.7)
Changes in			
Receivables	(161.5)	(266.8)	(166.2)
Merchandise inventories	(151.2)	(42.4)	(44.9)
Prepaid expenses	(121.3)	(46.9)	(64.1)
Accounts payable and other accrued liabilities	335.9	280.1	300.0
Unearned royalty and other advances	13.3	(2.2)	(70.8)
	830.2	746.0	455.6
Cash Provided by Operations Before Income Taxes	$2,132.0	$1,757.9	$1,780.3
Supplemental Cash Flow Information:			
Interest paid	$ 89.8	$ 69.8	$ 67.3

See Notes to Consolidated Financial Statements

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants audit the Company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of five non-management Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing and financial reporting matters.

Report of Independent Accountants

To the Board of Directors and Stockholders of
The Walt Disney Company

In our opinion, the consolidated balance sheet (page 52) and the related consolidated statements of income (page 51) and of cash flows (page 53) present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the "Company") at September 30, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Los Angeles, California
November 25, 1992

Notes to Consolidated Financial Statements

(Tabular dollars in millions, except per share amounts)

1 Description of the Business and Summary of Significant Accounting Policies

THE WALT DISNEY COMPANY and its subsidiaries (the "Company") is a diversified international entertainment company with operations in the following businesses.

THEME PARKS AND RESORTS

The Company owns and operates the Disneyland theme park and Disneyland Hotel in California and the Walt Disney World destination resort in Florida. Walt Disney World includes the Magic Kingdom, EPCOT Center, The Disney-MGM Studios Theme Park, ten hotels and villas, a nighttime entertainment complex, a shopping village, conference centers, a campground, golf courses and other recreational facilities. Until September 30, 1992, the Company leased and operated the Queen Mary hotel and attraction in Long Beach, California. The Company earns royalties on revenues generated by the Tokyo Disneyland theme park near Tokyo, Japan, which is owned and operated by an unrelated Japanese corporation. The Company owns and operates Walt Disney Imagineering and Disney Development Company, which design and develop new theme park attractions and resort properties. Construction is continuing on the 500-unit Disney Vacation Club at Lake Buena Vista in Florida. This facility will primarily sell vacation ownership points and be operated partially as a rental property until the units are completely sold.

FILMED ENTERTAINMENT

The Company produces and acquires live action and animated motion pictures for distribution to the theatrical, television and home video markets. Original television product is also produced for network and produced for, and distributed in, syndication markets. The Company distributes its filmed product through its own distribution and marketing companies in the United States and through both its own subsidiaries and foreign distribution companies throughout the rest of the world. The Company invests in programming for and operates The Disney Channel, a pay television programming service, and a Los Angeles television station.

CONSUMER PRODUCTS

The Company licenses the name Walt Disney, its characters, literary properties, songs and music to various manufacturers, retailers, printers and publishers. Audio products are produced primarily for the children's market, while film, audio and computer software products are produced for the educational market. The Company also operates several catalog businesses primarily for the children's market. All of these products are licensed and distributed throughout the world.

The Company also has direct publishing operations in the United States in both the children's and adult markets, and in Europe primarily in the children's market. In addition, the Company owns and operates The Disney Stores, which are retail outlets for the Company's merchandise, in selected markets throughout the United States, Great Britain and Japan.

INVESTMENT IN EURO DISNEY

The Company is an equity investor in and earns royalties and other fees from the Euro Disney Resort, which opened in April 1992 near Paris, France.

The following is a summary of the Company's significant accounting policies.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Revenue Recognition

Revenues from the theatrical distribution of motion pictures are recognized in domestic markets when motion pictures are exhibited and in foreign markets when revenues are reported by distributors. Television licensing revenues are generally recorded when the program material is available for telecasting by the licensee and when certain other conditions are met.

Revenues from participants/sponsors at the theme parks are generally recorded over the period of the applicable agreements commencing with the opening of the attraction.

Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Debt securities are carried at cost, adjusted for unamortized premium or discount. Marketable equity securities are carried at the lower of aggregate cost or market. Realized gains and losses are determined on an average cost basis.

Merchandise Inventories

Cost of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs

Film production and participation costs for each production are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortization is adjusted accordingly.

Television broadcast rights are amortized principally on an accelerated basis over the estimated useful lives of the programs.

Theme Parks, Resorts and Other Property

Theme parks, resorts and other property are carried at cost. Depreciation is computed on the straight-line method based upon estimated useful lives ranging from three to fifty years.

Other Assets

Rights to the name, likeness and portrait of Walt Disney, goodwill and other intangible assets are being amortized over periods ranging from two to forty years.

Hedging Contracts

In the normal course of business, the Company employs a variety of off-balance-sheet financial instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates, including interest rate swap agreements and foreign currency forward exchange contracts, options and option combinations. The Company designates interest rate swaps as hedges of investments and debt, and accrues the differential to be paid or received under the agreements as interest rates change over the lives of the contracts. Gains and losses arising from foreign currency forward exchange contracts and options are deferred and recognized in income as offsets of gains and losses resulting from the underlying hedged transactions.

The Company continually monitors its positions with, and the credit quality of, the major international financial institutions which are counterparties to its off-balance-sheet financial instruments, and does not anticipate non-performance by the counterparties.

At September 30, 1992 and 1991, the Company had $2.2 billion and $1.9 billion (notional amount), respectively, of foreign currency hedge contracts outstanding, consisting principally of option strategies providing for the sale of foreign currencies. The contracts serve primarily to hedge probable, but not firmly committed, French franc, German mark, Japanese yen and other foreign currency revenues over a multi-year horizon, extending up to six years.

Earnings Per Share

Earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year.

Reclassifications

Certain reclassifications have been made in the 1991 and 1990 financial statements to conform to the 1992 presentation.

2 Cash, Cash Equivalents and Investments

At September 30, 1992, the cost and market value of marketable equity securities were $186.6 million and $205.3 million, respectively. At September 30, 1991, the cost and market value of marketable equity securities were $103.6 million and $107.7 million, respectively. For both 1992 and 1991, cost approximated market value for marketable securities other than marketable equity securities.

At September 30, 1992 and 1991, interest rate swap agreements related to certain foreign currency denominated investments converted $245 million and $120 million, respectively, of fixed rate securities to variable rate investments. At September 30, 1992, the Company received interest at the three-month lira LIBOR rate and paid interest at a weighted average fixed rate of 11.7%. The agreements expire in approximately six years.

At September 30, 1992 and 1991, the Company had outstanding interest rate swap agreements with notional amounts totaling $600 million which effectively converted variable rate investment securities to fixed rate instruments. Under these swap agreements, which expire in two to four years, the Company received interest at a weighted average fixed rate of 8.0% and paid interest at the one-month commercial paper rate at September 30, 1992.

3 Film and Television Costs

	1992	1991
Theatrical Film Costs		
Released, less amortization	$ 64.8	$111.7
In process	209.1	85.4
	273.9	197.1
Television Costs		
Released, less amortization	190.4	131.3
In process	131.0	112.0
	321.4	243.3
Television Broadcast Rights	165.2	156.5
	$760.5	$596.9

Based on management's total gross revenue estimates as of September 30, 1992, approximately 89% of unamortized film production costs applicable to released theatrical and television productions are expected to be amortized during the next three years.

4 Investment in Euro Disney

Euro Disney S.C.A. ("Euro Disney"), a publicly traded French company, operates a theme park and resort complex on a 4,800-acre site near Paris, France. Euro Disney commenced operations on April 12, 1992.

The Company has a 49% ownership interest in Euro Disney and is using the equity method of accounting for its investment. At September 30, 1992 and 1991, the investment in and advances to Euro Disney were $659.1 million and $580.9 million, respectively. The market value of the Company's investment in Euro Disney exceeded its accreted carrying value at September 30, 1992 by $797 million.

In October 1989, Euro Disney completed a public equity offering of approximately $1 billion. As a result of the offering, the Company's share of the net assets of Euro Disney exceeded its investment by approximately $375 million. The Company is recognizing this gain ratably over an eight-year period, which represents the Company's contractual obligation to manage the development and operation of the complex and maintain an ownership interest of at least 17%.

In addition to recording its equity in Euro Disney's operating results and amortization of the gain, the Company earned $33 million of royalties in 1992 under certain agreements with Euro Disney. The Company has agreed to defer its base management fees for 1992 and 1993. Payment of the deferred amount will commence no sooner than 1994 and will be contingent upon Euro Disney achieving profitability.

In June 1991, Euro Disney completed a public offering of convertible bonds of approximately $670 million. The bonds are convertible into common stock of Euro Disney at any time before they become due in 2001. If all of the holders of the bonds exercised this conversion option, the Company's ownership interest in Euro Disney would decrease to 42%.

The Company has agreed, under certain circumstances, to provide indemnification of up to $95 million in connection with the development of Euro Disney. The Company does not expect to incur any obligation with respect to this agreement.

Euro Disney's consolidated financial statements are prepared in accordance with accounting principles generally accepted in France (French GAAP). Under French GAAP, Euro Disney earned net income of FF 381 million in 1990 and FF 249 million in 1991, and incurred a net loss of FF 188 million in 1992. U.S. generally accepted accounting principles (U.S. GAAP) differ in certain significant respects from French GAAP applied by Euro Disney, principally as they relate to accounting for leases. The summarized consolidated financial statements for Euro Disney, set forth below, are stated in U.S. dollars in accordance with U.S. GAAP.

Balance Sheet	1992	1991
Cash and investments	$ 479	$1,060
Receivables	459	477
Fixed assets, net	4,346	2,399
Other assets	873	401
Total Assets	$6,157	$4,337
Accounts payable and other liabilities	$ 797	$ 796
Borrowings	3,960	2,240
Common stock	1,042	1,042
Retained earnings	358	259
Total Liabilities and Stockholders' Equity	$6,157	$4,337

Statement of Operations	1992	1991	1990
Revenues	$ 738	$ –	$ –
Costs and expenses	808	–	–
Operating income	(70)	–	–
Net interest income (expense)	(95)	76	70
Income (loss) before income taxes	(165)	76	70
Income taxes	30	(28)	–
Net Income (Loss)	$(135)	$ 48	$ 70

5 Borrowings

	Effective Interest Rate	Fiscal Year Maturity	1992	1991
Subordinated notes (a)	6.2%	2005	**$1,041.4**	$1,091.9
Medium term notes (b)	3.1	1993–1995	**390.0**	500.0
Securities sold under agreements to repurchase (c)	15.6	1993	**231.2**	127.3
Commercial paper (d)	3.2	1993	**181.4**	128.9
Other (e)	7.7	1994–2013	**378.4**	365.7
	6.6%		**$2,222.4**	$2,213.8

(a) During 1990, the Company issued $2.3 billion zero coupon subordinated notes which resulted in gross proceeds of $965 million. Holders may redeem the notes at their option for the issuance price plus accrued interest at the end of five and ten years, and upon a change in control of the Company, as defined, or at any time exchange the notes for the U.S. dollar equivalent of 19.651 shares of Euro Disney S.C.A. which is listed on the Paris Bourse. The Company has the right to call the notes at their issuance price plus accrued interest. The Company has designated a portion of its Euro Disney S.C.A. shares as a hedge offsetting the contingent liability that may arise due to the exchangeability of the notes. (See Note 13.)

(b) The Company has executed interest rate swap agreements to convert medium term notes to commercial paper-based floating rate instruments. The effect of these swaps has been reflected in the effective interest rate.

(c) Securities sold under agreements to repurchase are collateralized by certain marketable securities.

(d) The Company has available through 1994 an unsecured revolving line of bank credit of up to $310 million for general corporate purposes, including the support of commercial paper borrowings. The Company has the option to borrow at various interest rates.

(e) Foreign currency swaps effectively converted $137 million and $158 million at September 30, 1992 and 1991, respectively, of foreign debt issuances to Japanese yen or dollar obligations. The effect of these swaps has been reflected in the effective interest rate. The Company hedges the obligations converted to yen borrowings with a portion of its yen royalty receipts.

Borrowings, excluding commercial paper and securities sold under agreements to repurchase which mature in 1993, have the following scheduled maturities.

1993	$202.0
1994	161.4
1995	131.9
1996	86.2
1997	106.6

The Company capitalizes interest on assets constructed for its theme parks, resorts and other developments, and on theatrical and television productions in process. In 1992, 1991 and 1990, respectively, total interest costs incurred were $152.1, $142.4 and $90.7 million, of which $25.3, $37.4 and $47.6 million were capitalized.

6 Unearned Royalty and Other Advances

	1992	1991
Tokyo Disneyland royalty advances	$522.3	$545.8
Other	350.5	313.7
	$872.8	$859.5

In 1988, the Company monetized a substantial portion of its royalties through 2008 from certain Tokyo Disneyland operations. The Company has certain ongoing obligations under its contract with the owner and operator of Tokyo Disneyland, and accordingly royalty advances are being amortized through 2008. The maximum amount the Company may be required to fund under certain recourse provisions of the monetization agreement is $145 million. The Company does not anticipate funding any significant amount under this agreement.

7 Income Taxes

	1992	1991	1990
Income Before Income Taxes			
Domestic			
(including U.S. exports)	$1,178.9	$ 945.8	$1,270.2
Foreign subsidiaries	122.9	66.1	54.5
	$1,301.8	$1,011.9	$1,324.7
Income Tax Provision			
Current			
Federal	$ 225.8	$241.7	$ 260.4
State	40.3	34.0	50.2
Foreign subsidiaries	46.1	30.5	25.0
Other foreign	48.3	44.5	34.9
	360.5	350.7	370.5
Deferred			
Federal	109.9	10.5	110.4
State	14.7	14.1	19.8
	124.6	24.6	130.2
	$ 485.1	$ 375.3	$ 500.7

	1992	1991	1990
Components of Provision for			
Deferred Income Taxes			
Depreciation and amortization	$ 45.4	$ 56.6	$ 49.9
Licensing revenues	11.6	11.3	29.5
Capitalized interest and			
property taxes	7.5	8.9	13.1
Royalty expenses	33.7	(51.8)	(2.2)
Leveraged leasing	47.2	–	–
Other	(20.8)	(0.4)	39.9
	$ 124.6	$ 24.6	$ 130.2
Reconciliation of Effective Income Tax Rate			
Federal income tax rate	34.0%	34.0%	34.0%
State income taxes, net of			
Federal income tax benefit	2.8	3.3	3.6
Other	.5	(.2)	.2
	37.3%	37.1%	37.8%

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. The standard requires, among other provisions, that existing deferred tax assets and liabilities be adjusted to reflect the effect of changes in tax laws and/or rates. The Company plans to adopt this standard in 1994 and currently anticipates that it will not have a material impact on its financial condition.

8 Pension and Other Benefit Programs

The Company contributes to various pension plans under union and industry-wide agreements. Contributions are based upon the hours worked or gross wages paid to covered employees. In 1992, 1991 and 1990, the cost recognized under these plans was $26.1, $12.9 and $6.1 million, respectively. The Company's share of the unfunded liability, if any, related to these multi-employer plans is not material.

The Company also maintains pension plans covering most of its domestic salaried and hourly employees not covered by union or industry-wide pension plans and a non-qualified, unfunded retirement plan for key employees.

With respect to its defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and/or compensation.

Pension cost is summarized as follows.

	1992	1991	1990
Service cost of current period	$48.9	$37.1	$25.4
Interest cost on projected			
benefit obligations	25.9	21.5	17.9
Gain on plan assets	(43.3)	(18.2)	(30.8)
Net amortization and deferral of			
unrecognized gain on plan assets	19.1	(1.4)	16.2
Net pension cost	$50.6	$39.0	$28.7

For 1992, 1991 and 1990, the weighted average discount rate was 9.5% and the expected long-term rate of return on plan assets was 9.5%. The assumed rate of increase in compensation was 7% for 1992, 6.6% for 1991 and 6.5% for 1990.

The funded status of the plans and the amounts included in the Company's consolidated balance sheets are as follows.

	1992	1991
Plan assets at fair value, primarily publicly traded stocks and bonds	$346.4	$270.9
Actuarial present value of projected benefit obligations		
Accumulated benefit obligations		
Vested	(277.9)	(228.5)
Non-vested	(20.1)	(10.4)
Provision for future salary increases	(57.8)	(37.7)
Deficiency in plan assets versus projected benefit obligations	(9.4)	(5.7)
Unrecognized net loss	51.5	27.9
Unrecognized prior service cost	3.4	3.8
Unrecognized net obligation	4.2	4.4
Prepaid pension cost	$ 49.7	$ 30.4

The Company sponsors a plan to provide postretirement medical benefits to most of its domestic salaried and hourly employees, and contributes to multi-employer welfare plans to provide similar benefits to certain employees under collective bargaining agreements.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions (SFAS 106), which will require accrual of postretirement benefit costs to actuarially allocate such costs to the years during which employees render qualifying service. SFAS 106 also requires recognition no later than October 1, 1993 of the unfunded and previously unrecognized accumulated postretirement benefit obligation for all participants in the Company-sponsored plan. This "transition obligation" may be charged immediately to operations or amortized over the longer of the average remaining service period of active plan participants, or twenty years. The Company currently plans to adopt SFAS 106 in fiscal 1994, and does not anticipate that its transition obligation or ongoing expense will be material to its financial condition.

9 Stockholders' Equity

(Shares in millions)	Shares	Common Stock	Paid-in Capital	Retained Earnings
Balance at September 30, 1989	545.2	$13.5	$434.8	$2,651.2
Exercise of stock options, net	1.7	.1	54.4	
Dividends ($.13875 per share)				(74.1)
Net income				824.0
Balance at September 30, 1990	546.9	13.6	489.2	3,401.1
Exercise of stock options, net	1.7	.1	46.8	
Dividends ($.1675 per share)				(87.2)
Net income				636.6
Balance at September 30, 1991	548.6	13.7	536.0	3,950.5
Exercise of stock options, net	3.6	.1	70.1	
Dividends ($.20125 per share)				(105.3)
Net income				816.7
Balance at September 30, 1992	552.2	$13.8	$606.1	$4,661.9

On February 18, 1992, the Board of Directors approved a four-for-one stock split of the Company's common stock, which was approved by the Company's stockholders and became effective on April 20, 1992. The new shares were distributed on May 15, 1992 to holders of record on April 20, 1992. All share and per share data have been restated for all periods presented to reflect the stock split. An increase in the authorized number of shares of preferred stock of the Company from 5 million to 100 million was also approved.

In June 1989, the Company adopted a stockholders' rights plan. The plan becomes operative in certain events involving the acquisition of 25% or more of the Company's common stock by any person or group in a transaction not approved by the Company's Board of Directors. Upon the occurrence of such an event, each right, unless redeemed by the Board, entitles its holder to purchase for $350 an amount of common stock of the Company, or in certain circumstances the acquiror, having a market value of twice the purchase price. In connection with the rights plan, 7.2 million shares of preferred stock were reserved.

In 1992 and 1991 the Company recorded cumulative foreign currency translation adjustments of $86.9 million and $35.2 million, net of deferred taxes of $50.4 million and $19.5 million, respectively.

Treasury stock activity for the three years ended September 30, 1992 was as follows.

(Shares in millions)	Shares	Treasury Stock
Balance at September 30, 1989	4.0	$ 55.5
Common stock repurchases	15.9	427.5
Balance at September 30, 1990	19.9	483.0
Common stock repurchases	7.9	181.1
Balance at September 30, 1991 and 1992	27.8	$664.1

In November 1984, the Company adopted a program to repurchase up to 56 million shares. In December 1990, the Company increased the authorized share repurchase amount to 90 million shares. There were no repurchases under this program during the year ended September 30, 1992. Since adoption of the program, a total of 51.9 million shares have been repurchased at prevailing market prices.

10 Stock Incentive Plans

Under various plans, the Company may grant stock option and other awards to key executive, management and creative personnel. Transactions under the various stock option and incentive plans during 1992 were as follows.

(Shares in millions)	1992	1991	1990
Outstanding at beginning of year	44.8	43.2	38.6
Awards cancelled	(1.2)	(0.7)	(0.3)
Awards granted	4.3	4.0	6.6
Awards exercised	(3.6)	(1.7)	(1.7)
Outstanding at September 30	44.3	44.8	43.2
Exercisable at September 30	18.8	17.8	14.0

Stock option awards are granted at prices equal to at least market price on the date of grant. Options outstanding at September 30, 1992 and 1991, respectively, ranged in price from \$3.23 to \$37.39 and \$3.23 to \$32.66 per share. Options exercised during the period ranged in price from \$3.23 to \$32.66 per share in 1992, from \$3.14 to \$30.75 per share in 1991, and from \$3.23 to \$23.19 per share in 1990. Shares available for future option grants at September 30, 1992 were 28.4 million.

11 Detail of Certain Balance Sheet Accounts

	1992	1991
Receivables		
Trade, net of allowance	$1,033.3	$ 969.7
Euro Disney advances	119.6	109.8
Other	146.0	48.7
	$1,298.9	$1,128.2
Other Assets		
Intangibles	$ 384.5	$ 373.7
Investment in Euro Disney	539.5	471.1
Other	445.0	306.9
	$1,369.0	$1,151.7
Accounts Payable and Other Accrued Liabilities		
Accounts payable	$1,374.4	$1,111.5
Payroll and employee benefits	328.9	303.4
Other	88.6	18.9
	$1,791.9	$1,433.8

12 Business Segments

	1992	1991	1990
Capital Expenditures			
Theme parks and resorts	$ 380.9	$ 790.1	$ 519.8
Filmed entertainment	76.7	50.1	39.5
Consumer products	38.6	35.5	34.3
Corporate	48.2	48.9	122.7
	$ 544.4	$ 924.6	$ 716.3
Depreciation Expense			
Theme parks and resorts	$ 249.8	$ 213.2	$ 177.4
Filmed entertainment	29.5	23.9	12.9
Consumer products	16.8	12.4	5.8
Corporate	21.2	14.0	7.0
	$ 317.3	$ 263.5	$ 203.1
Identifiable Assets			
Theme parks and resorts	$ 5,076.8	$4,694.7	$4,056.4
Filmed entertainment	2,370.9	1,910.5	1,696.8
Consumer products	642.8	448.4	308.5
Corporate	2,231.7	1,903.8	1,596.7
Investment in Euro Disney	539.5	471.1	363.9
	$10,861.7	$9,428.5	$8,022.3
Supplemental Revenue Data			
Theme Parks and Resorts			
Admissions	$ 1,246.6	$1,093.0	$1,179.9
Merchandise, food and beverage	1,223.1	1,048.0	1,113.5
Filmed Entertainment			
Theatrical product	2,251.7	1,776.9	1,545.7
Export revenues	1,457.4	1,267.1	938.8

13 Commitments and Contingencies

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving antitrust, copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions.

As of September 30, 1992, the potential liability to the Company arising from the exchangeability feature of the Company's zero coupon subordinated notes did not exceed the carrying or accreted value of the notes. (See Note 5.)

Quarterly Financial Summary

(In millions, except per share data)
(Unaudited)

	December 31	March 31	June 30	September 30
1992				
Revenues	$1,916.4	$1,629.2	$1,883.3	$2,075.1
Operating income	348.4	271.8	419.3	395.8
Net income	208.1	164.1	220.8	223.7
Earnings per share	.39	.31	.41	.42
Dividends per share	.04375	.05250	.05250	.05250
Market price per share				
High	30⅝	39⅜	41⅛	37½
Low	25⅞	28½	34⅝	32¾
1991				
Revenues	$1,477.6	$1,423.0	$1,494.5	$1,716.9
Operating income	292.9	215.9	284.9	300.8
Net income	170.4	126.6	165.5	174.1
Earnings per share	.32	.24	.31	.33
Dividends per share	.03625	.04375	.04375	.04375
Market price per share				
High	27¼	32½	31	30¾
Low	21½	23⅜	27½	27½

Selected Financial Data

(In millions, except per share and other data)

	1992	1991	1990	1989	1988
Statement of Income					
Revenues	**$ 7,504.0**	$6,112.0	$5,757.3	$4,593.8	$3,438.2
Operating income	**1,435.3**	1,094.5	1,339.1	1,228.5	884.8
Interest expense	**126.8**	105.0	43.1	23.9	5.8
Net income	**816.7**	636.6	824.0	703.3	522.0
Per Share					
Net income	**1.52**	$1.20	$1.50	$1.27	$.95
Cash dividends	**.2013**	.1675	.1388	.1150	.0950
Balance Sheet					
Total assets	**$10,861.7**	$9,428.5	$8,022.3	$6,657.2	$5,108.9
Borrowings	**2,222.4**	2,213.8	1,584.6	860.6	435.5
Stockholders' equity	**4,704.6**	3,871.3	3,488.6	3,044.0	2,359.3
Statement of Cash Flows					
Cash flow from operations	**$ 1,838.1**	$1,496.7	$1,358.9	$1,275.6	$1,075.4*
Investing activities	**(1,923.7)**	(1,726.3)	(1,181.9)	(1,729.2)	(1,909.5)
Financing activities	**(35.7)**	295.9	262.0	406.4	(245.8)
Other Data					
Stockholders at year-end	**310,000**	189,000	175,000	143,000	124,000
Employees at year-end	**58,000**	58,000	52,000	47,000	39,000

**Excludes $722.6 million unearned royalty advances.*

Stock Exchanges

The Common Stock of the Company is listed for trading on the New York (principal market), Pacific, Swiss and Tokyo Stock Exchanges. Certain debt securities of the Company are listed on the New York, Luxembourg and Swiss Stock Exchanges.

Registrar and Stock Transfer Agent

The Walt Disney Company
4130 Cahuenga Blvd., #310
North Hollywood, California 91602
(818) 505-7040

Independent Accountants

Price Waterhouse, Los Angeles

Other Information

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request.

A copy of the Company's quarterly reports will be furnished without charge to any stockholder whose stock is held by a broker upon written request.

All written requests should be sent to Stockholder Affairs, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-7320.

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Vice Chairman
The Walt Disney Company

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Chairman and Chief Executive Officer
The Walt Disney Company

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President and Chief Executive Officer
Shamrock Holdings, Inc.

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Editor-in-Chief, LA OPINION

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Walt Disney Attractions

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Attorney at Law

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Robert A.M. Stern Architects

E. Cardon Walker*
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The Irvine Company

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Joseph F. Cullman 3rd
Chairman Emeritus, Philip Morris Companies, Inc.

Donn B. Tatum
Former Chairman and Chief Executive Officer
The Walt Disney Company

**Member of Audit Review Committee*
†Member of Compensation Committee
††Member of Executive Committee

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Chief Executive Officer

Frank G. Wells
President and Chief Operating Officer

Roy E. Disney
Vice Chairman of the Board

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Executive Vice President-Strategic Planning
and Development

Sanford M. Litvack
Executive Vice President-Law and
Human Resources

Joe Shapiro
Executive Vice President

Erwin D. Okun*
Senior Vice President-Corporate Communications

Richard D. Nanula
Senior Vice President and
Chief Financial Officer

Michael J. Montgomery
Vice President-Treasurer

John J. Garand
Vice President-Planning and Control

**Deceased*

Principal Businesses With Chief Executives

Disney Consumer Products
Barton K. Boyd

Disney Development Company
Peter S. Rummell

Euro Disney
Robert J. Fitzpatrick, Chairman
Philippe Bourguignon, President

Hollywood Records
Peter T. Paterno

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Richard A. Nunis, Chairman
Judson C. Green, President

Walt Disney Imagineering
Martin A. Sklar

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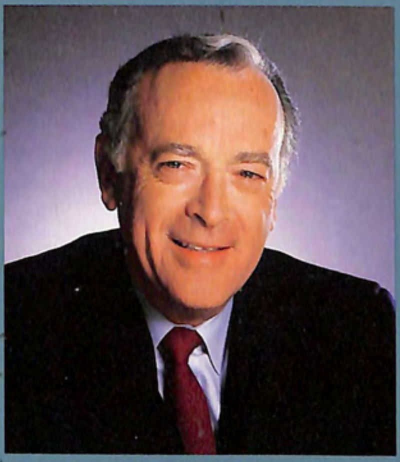
Jeffrey Katzenberg, Chairman
Richard H. Frank, President

The Disney Channel
John F. Cooke

IN MEMORIAM



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